

GOVERNMENT, GLOBALISATION AND BUSINESS

The Case of South Africa

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Declaration

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

ABSTRACT

This case study examines the implications of globalisation for business-government relations in South Africa since 1990. The study proposes that business, bolstered by globalisation, is increasingly gaining influence in the policy process of South Africa.

The unfolding era of neo-liberalism has ushered in an enormous surge in the power of capital and a decline in the organization and influence of labour. This surge in relative power has allowed the South African business community, to impose its own discipline on government and to narrow the sphere of public decisions. Fear of loss of competitiveness, in attracting capital, both domestic and international, has forced government to make their policies increasingly capital-friendly rather than responding to popular will or broad social interest.

The study establishes the features of globalisation and South Africa's position within this process through an analysis of the relationship between the ANC and business that developed in South Africa between 1990 and 1994, and later facilitated the ANC's acceptance of a neo-liberal macroeconomic strategy in 1996. By analysing; firstly, the influence of business within the policy-making process since 1996, and secondly, the influence of business in the outcomes of government's black economic empowerment strategy, the study shows that business has attempted to optimise its position vis-à-vis the currents of globalisation.

The study concludes that the working partnership between business and government, established in terms of the BEE strategy is based on the mutual need of each other, as both government and business face the brutal capriciousness of foreign investment, the major challenge posed by globalisation. The South African business community is however in a unique position with respect to South Africa's ongoing transformation. Within the post-apartheid context, and South Africa's reconfigured power equation between government and business, globalisation would appear to give corporate South Africa added leverage over its rival social partners in the tug-of-war over the terms of development.

OPSOMMING

Hierdie gevalle-studie bestudeer die implikasies van globalisasie vir besigheid-regering verhoudings in Suid-Afrika vanaf 1990. Die studie stel voor dat besigheid, aangehelp deur globalisasie, toenemend invloed verkry in die beleids-proses in Suid-Afrika. Die nuwe era van neo-liberalisme het 'n groot toevloei in die mag van kapitaal binne gesien en 'n afname in die organisasie en invloed van arbeid. Die beweging van relatiewe mag het die Suid-Afrikaanse besigheids-gemeenskap toegelaat om sy eie dissipline op die regering op te lê, en om die sfeer van openbare besluite te vernou. Die vrees van verlies van mededinging in die aantrekking van kapitaal, beide plaaslik en internasionaal, het die regering gedwing om hul beleide toenemend kapitaal-vriendelik te maak, eerder as om te reageer op populêre wilsrag of breë sosiale belang.

Die studie bevestig die kenmerke van globalisasie sowel as Suid-Afrika se posisie in hierdie proses. Dit word bepaal deur 'n analise van die verhouding tussen die ANC en ondernemings wat tussen 1990 en 1994 in Suid-Afrika ontwikkel het en later deur die ANC se aanvaarding van 'n neo-liberale makro-ekonomies strategie in 1996, gefasiliteer is. Deur eerste die invloed van besigheid binne die beleidmakings-proses vanaf 1996 te analiseer en tweedens te kyk na die invloed van besigheid in die uitkoms van die regering se swart ekonomiese bemagtings strategie (BEE) wys die studie dat besigheid probeer het om sy posisie deur die vloei van globalisasie te optimaliseer. Die studie sluit af met die erkende vennootskap tussen besighede en die regering. Hierdie vennootskap is gevestig op die terme van die BEE strategie, wat gebaseer is op wedersydse belang, want beide die regering en besighede staan die brutale wispelturigheid van buitelandse belegging in die gesig. Hierdie groot uitdaging word deur globalisasie voortgebring. Die Suid-Afrikaanse besigheids-gemeenskap is in 'n unieke posisie, in die sin van Suid-Afrika se voortgaande transformasie. Binne die post-apartheid konteks en Suid-Afrika se hergestrukteerde mags verhouding tussen die regering en besighede, wil dit voorkom asof globalisasie die besigheids-sfeer van Suid-Afrika 'n toename van mag oor sy mededingende sosiale vennote te gee, in die konflik oor die terme van ontwikkeling.

In Loving Memory of Errol Ralph D'oisly Willson

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CHAPTER ONE

INTRODUCTION AND METHODOLOGY

1.1 Introduction

South Africa's first democratic government was elected in 1994 with a clear mandate to redress the inequalities of the past in the political, social and economic spheres. In the past decade the socio-political landscape has undergone a process of fundamental change. Politically, the new South Africa has been a success, where negotiation and consensus solutions have driven confrontation out of the arena. The economic picture, however, is entirely different. While much has been achieved in empowerment, the extent to which the majority of the population participates meaningfully in the economy remains far too limited. Widespread poverty and high levels of income inequality still exist and therefore, the country's main challenge is how to rid itself of the economic consequences of the legacy of apartheid.

The most crucial issue, of contemporary South African politics, is the need for government to act on the imperative for rapid social and economic transformation. The marginalisation of black persons under apartheid, led to significant structural distortions in the South African economy. The asymmetrical development of society under apartheid policies has produced a first/third world society: an industrialized, urban, technological society running parallel to a society where millions of people live in poverty. The result is an economic structure that today, in essence excludes the vast majority of South Africans. Furthermore, the racial profile of South Africa's formal business sector continues to resemble that of pre-1994. Fine and Rustonjee (1996: 103), argue that the economy has continued to be dominated by six major conglomerates or 'axis of capital' namely: SA Mutual, Sanlam, Anglo-American Corporation, Liberty/Standard, Rembrandt/Volkswagen, and Anglovaal.

To date, the process of black economic empowerment, whilst creating an emergent black business elite, has failed to generate far-reaching economic empowerment at the grassroots level.

Since it's un-banning in 1990, and subsequent coming to power in 1994, the African National Congress (ANC) has continued to assert that the economy and society have to be transformed if the country is to achieve non-racialism, development and equity. However, it is widely accepted that global and domestic constraints limit the ability of the new ANC-led government to provide the political goods promised to its electorate.

Since the late 1980s, in mindset and in practical policy, the overwhelming forces of the market have been replacing the 'immovable' object of government across the world. The collapse of communism and central planning, the associated swing to democracy and market-orientated economies, the globalisation of the world economy, and the powerful position of International Financial Institutions such as the International Monetary Fund (IMF) and the World Bank, have all been strong forces against big and inefficient government and against macro-economic populism¹. It has been argued that this global shift in mindset, towards neo-liberalism, began to impose economic discipline on the ANC even prior to its victory in the 1994 elections, and continues to do so.

The unfolding era of neo-liberalism has ushered in an enormous surge in the power of capital and decline in the organization and influence of labour. This surge in relative power has "allowed capital, especially financial capital, to impose its own discipline on governments and to narrow the sphere of public decisions" (Mengisteab, 1999: 144). Fear of loss of competitiveness, in attracting capital, has forced governments to make their policies increasingly capital-friendly rather than responding to popular will or broad social interest.

The relevance of global finance and the need for foreign investment in developing economies, such as South Africa, sometimes impose "quite severe constraints on democratically elected governments in their efforts to fulfill electoral promises" (Koelble, 1998: 4). Since the early 1990s capital has become increasingly mobile, and the ability to invest across international borders provides businesses with political advantages in their negotiations with states and domestic groups. This business advantage immediately limits the extent of social policies that states may choose to proceed with development programmes.

Critics argue that states find themselves weakened in their ability to control what used to be considered domestic resources. This is a particularly important aspect of the South African transition to democracy, since the ANC placed a great deal of emphasis on redistribution and equal opportunity in its 1994 electoral campaign.

The advent of the so-called 'globalisation' phenomena in the last decade has directly influenced politics in South Africa. International and domestic economic conditions limit the ability of the new ANC-led government to transform social and economic conditions quickly and fundamentally. South Africa has, since 1994, "shifted from a demand economy in a protected domestic market to a supply side economy, stimulated by export-driven growth" (Nattras, 2001:6).

The need to be internationally competitive and to attract foreign investment, has forced a major restructuring of the economy and a revision of the government's original development strategy as outlined by the Reconstruction and Development Programme (RDP). In 1996 government unveiled the neo-liberal inspired Growth, Employment and Reconstruction (GEAR) economic strategy, which labelled the private sector as the 'engine for growth' (Adelzadeh, 1996: 67). The private sector has since come to the fore as, arguably, the most important actor in the policy process of South Africa.

Cynics might argue that the rapid abandonment of a socialist policy principle (evident in the RDP), points to an inescapable conclusion: that the ANC leaders have sold out to their constituencies. According to Koelble (1998: 180), the party now finds itself a prisoner of its own campaign rhetoric of 'A better life for All', severely underestimating the resources available to it, in a situation of limited manoeuvrability concerning programs designed to facilitate socio-economic development.

Its ambitious domestic program, as outlined in the GEAR strategy, is constrained by both international and local factors, yet based upon the pressing socio-economic needs of the government's constituents. As a result, a rather Janus-like political balancing act occurs in which "global actors and local business constituencies are appeased with moderate economic policies" (Koelble, 1998: 182).

Globalisation has not only undermined the power of national governments, but also particularly affected the autonomy of developing states to shape their economies as they please. For many in the ANC, the reality of the global economy and the constraints it places on domestic policy-makers has been a significant new dimension of the policy process (CDE, 1999: 62).

Globalisation is not simply an economic project but also political. This being so, it is crucial that any plausible explanation of government-business relations in South Africa has to begin by recognizing and evaluating transformations in the global political economy. The interests of international and domestic capital represent a neo-liberal political agenda, independent of the interests of nation-states or their governments. Therefore, the globalisation of South Africa has great implications for business-government relations and especially, the government's attempts to redress the economic inequalities of the past.

1.2 Research Domain

Government exercises a variety of important powers in dealing with the individual private enterprise, ranging from taxation to regulation. In the realm of business the rules enforced by government are critical to the "effective operation of the market" (Haufler, 2000: 121). Business relies on constitutional protections as well as public support of its basic role in creating income, employment, and material standards of living. Economic activity today operates at an international level and thus the local government-business relationship is constantly changing. The line between public and private sectors frequently shifts and in a global economy, the line is especially difficult to define.

Since 1994 many of the major conglomerates in South Africa have become linked to the global economy and their process of accumulation largely depends on these links. These businesses benefit from the globalisation process and they thus support free market reforms. For the purposes of this study, the terms 'capital' and 'business' are used to refer to "industrial, commercial and service sector corporations and companies based in South Africa" (Pretorius, 1996: 255). 'Organized business refers to interest

organizations, which represent the interests of capital. This study will focus specifically on those groups that are globalist in nature.

Economic globalisation can be defined as the “accelerated integration of economies throughout the world through trade, financial flows, the exchange of technology, information and ideas, and the movement of people” (Calitz, 2000: 564). From a neo-liberal perspective, now popular amongst South African policy-makers, globalisation realizes the evolutionary ‘dream’ of establishing a universal market-based order, rationalized by an ideology of competitiveness, liberalization, and privatization. Economic globalisation via the market offers to its advocates the assurance of a world of prosperity and material attainment. A remarkable convergence is growing among the dominant classes in South Africa that globalisation is inescapable and adjustment to its drumbeat is considered the only viable path for development.

At the same time there are a number of groups, which are adversely affected by globalisation and have resisted market reforms. Infant industries typically require some form of protection from external competition and generally resist unqualified globalisation. According to Adams et al. (1999: 6) “import substituting industries are also disadvantaged, since the process of accumulation in these industries is based on the domestic market”. While they might support internal liberalization, they would generally oppose global openness. Similarly, capital and technology intensive industries, which are not in a position to compete with the established transnational corporations, are more nationalist than globalist.

Most of the domestic working class opposes neo-liberal reform. Represented by labour unions and civil society, this group tends to lose from the retrenchment of subsidies and social programmes, and from higher prices associated with deregulation and devaluation. These groups are also affected by “the loss of public-sector employment and face stagnant and declining real wages as foreign trade and investment depresses local labour markets” (Adams et al, 1999: 7). The subsistence rural communities, the largest social group in South Africa, faced with jobless growth, have little to gain from globalisation.

Globalisation is dramatically reshaping policy landscapes and threats for governments and firms. Since the resultant restructuring of policy spaces asymmetrically distributes costs and benefits across society, there is a need for government and businesses to navigate globalisation, while simultaneously steering their relationship.

This case study seeks to examine the implications of globalisation for business-government relations in South Africa since 1990. The study evolves from the proposition that business, bolstered by globalisation, is increasingly gaining influence in the policy process of South Africa.

1.3 Identification of Research Question

According to Taylor (2000: 86) South Africa's transition occurred in the context of "an epoch where it is possible to talk of the trans-nationalisation of capital, where markets are increasingly global and organically integrated, allowing an internationalised ownership of capital and the transit of capital in and out of any number of corporations and territories". This has subsequently changed the productive structure by shifting power over trade and production from the governments to firms. Such a scenario, termed as, 'globalisation', has led to states "effectively losing most of their ability to plan and regulate their national social and economic policies".

Increasingly, voices from the left are lambasting the South African government for following neo-liberalist policies, of over-emphasizing macroeconomic stability, and of exposing the economy to the adverse unemployment and income implications, which various observers associate specifically with economic globalisation¹. Since the demise of the RDP economic policy, mainstream business organizations have had a relatively large impact on emerging policy.

In "Cry for the beloved country: The post-apartheid denouement", John Saul (2001) argues that South Africa's transition to a democratic regime was a double transition twinned with a simultaneous transition towards a neo-liberal socio-economic dispensation that has negated in practice a great deal of the country's democratic

¹ See for example; Saul: 2001, Nattrass: 2001, Mills: 2002, Nattrass and Seekings: 1998.

transition. Leading up to the negotiation period of 1990-1994, business leaders had increased interaction with ANC leaders, which helped to confirm the growing sense that the ANC might be a potential participant in "a transition that safeguarded the essentials of the established economic system". According to Saul (2001: 440) the central premise of South Africa's economic policy today is "ask not what capital can do for South Africa but what can South Africa do for capital".

The central question, which arises from the globalisation of South Africa, is whether the organised private sector has gained influence within the South African political economy and on public policies since 1994? This cannot be fully answered without narrowing the question into a cluster of questions.

The preliminary task is to establish the nature of the globalisation process in South Africa and to identify the globalisers, in other words, to effectively determine who are the sponsors and torchbearers of globalisation in South Africa. In as much as business is not a mere object of, but agent in the globalisation scenario, how does business optimise its position vis-à-vis the currents of globalisation, and attempt to use this trend to its advantage? The study will then attempt to identify which sectors or corporations have been able to shape policies within the public policy environment. How have they exercised this ability and why do these companies or sectors have this power?

Thus, the features of globalisation and South Africa's position within this process will act as a guide to analyse: firstly, the relationship between the ANC and business that developed in South Africa between 1990 and 1994, and later facilitated the ANC's acceptance of a neo-liberal macroeconomic strategy in 1996; secondly, the influence of business within the policy-making process since 1996, and thirdly, the influence of business in the outcomes of government's black economic empowerment strategy.

1.4 Method of Research

The relationship between government and business is based on the dependence of each on resources controlled by the other. This is true in the case of South Africa as the government depends on the resources of business to achieve its development

programme and business, in return, depends on a policy environment conducive to its economic activities.

It is the role of both business and government to interpret the external constraints of the environment and translate them into tactics that can be used in the relationship. Therefore, both must forge the links between the external environment, the process or strategies, and outcomes of the relationship. Both business and government develop strategy options, link those options to opportunities embedded in the environmental conditions, and elect options that will have a positive impact on their outcomes.

Business' political strategy can be understood as configurations of political actions or strategies that represent "an integrated set of activities intended to produce public policy outcomes favourable to the firm's economic survival and continued success" (Schuler, 1996: 720). Several studies in strategic management, sociology and political economics have examined the influence of business on public policies across the board. According to Vogel (1996: 146) the dominant method has been to study these political activities on single policy issues cross-sectionally. This study aims, however, to estimate business' political influence by means of a longitudinal case study of the relationship between business and government since 1990.

The environment, process and outcomes of the business-government relationship will serve as indicators of business's political influence. The evidence will also provide a comprehensive and dynamic analysis of the political strategy process. Most importantly the study will emphasize the process of political strategy by examining the evolution of the political activities of business over time, within the context of globalisation.

The study will incorporate the use of qualitative methods. However the perpetual weakness of a case study is that of generalization and comparison. The problem can only be avoided by analyzing several cases using similar methods. However, the main problem concerning data is that not all political actions can be detected, because some actions presumably take place through personal contacts that are not documented.

The findings will cover a broad terrain and will attempt to reach a nuanced understanding of government-business relations in South Africa. The scope of the research will evolve in the process of trying to answer these questions comprehensively.

Delineating a time period for such a case study is essential, there are valid reasons for choosing 1990 as a commencement point as it represents a watershed in South Africa's history with the un-banning of the ANC and its incorporation into negotiations with various actors, on the future political dispensation of South Africa. Also, South Africa's transition took place in an era when capitalism was entering a new phase, viz globalisation.

Given the above approach and objectives, the methodology consists of: Firstly, a critical overview of the process of globalisation and South Africa's position therein, including an outline of both government and the private sector's response to this process, as well as the macro-economic policy outcomes of this process. Secondly, an assessment of the influence of business in the policy-making process, which will include the identification of the major actors in the policy-making process, and the influence they wield. Thirdly, an assessment of the influence and involvement of business on the government's Black Economic Empowerment (BEE) policy.

The study will therefore distinguish between three levels of issues: (1) macro-economic policy and (2), the policy-making process and (3), the Black Economic Empowerment Strategy which affects all business sectors.

The study will draw these components together by summarising the key findings, isolating critical themes, and identifying strategies for government-business engagement in the future.

1.5 Significance of Research

In "The Study of Business and Politics", Vogel (1996: 146) contends that the contemporary triumph of capitalism has made corporations the most important non-governmental institutions in democracies and globally. It has in fact become critical

that we understand how business and government's interact due to our dependence on these institutions to address a wide variety of issues and problems, ranging from environmental protection to the dissemination of information technology.

According to Vogel (1996: 146), there is a substantial body of literature on the relationship between business and government in the United States. However, the preliminary literature review for this study revealed only a handful of studies relating specifically to the relationship between business and government in South Africa. No single study of the political influence of business in South Africa has been conducted since 1994. This study is an attempt to fill this research gap and to shed more light on the increasingly important relationship between the state and the market in South Africa. Ultimately, what is needed is an analysis that shows the interrelationship between the role of politics in shaping business's decision making and the role of business in influencing government decision-making.

One of the most important strains of contemporary research, on the politics of business, stems from debates during the late 1960s about the distribution of power in America. These early studies were based on the claim that business was not simply another interest group, competing with other organized and unorganized interests for political access and influence. Rather, business was unique; its needs and interests dominated those of all institutions and organizations in American society, including government. Drawing on both Marxism and the tradition of power-elite research inspired by C. Wright Mills, these studies argued that the close social and ideological ties between economic and political elites and the dependence of the state on business confidence made a mockery of American pluralism².

In 1977, this debate was revitalized with the publication of Charles Lindblom's³ "Politics and Markets", arguably the most influential study of business-government relations in the United States ever published. Lindblom painted a portrait of business as an actor with a "privileged position". According to Vogel (1996: 158) one can conclude from these studies that business does enjoy substantial political influence in

² The best-known work in the power-elite tradition is William Domhoff, "Who rules America?", (Englewood Cliffs, NJ: Prentice Hall, 1976)

³ Lindblom, C. 1977. *Politics and Markets*. (New York: Basic Books)

every capitalist society, however the variations of its power over time are equally important. Moreover, the interests of business itself are frequently divided, thus significantly diluting the political effectiveness of its influence. It is misleading to view business's power as stable or static. What is more important is to examine how much and why business's political influence varies over time. Also, business' influence cannot be studied as an abstraction; its influence needs to be demonstrated.

Guided by the aforementioned studies, this study assumes that government and business are two of the most powerful institutions in modern society. The shifting and complicated relationship between them exerts great influence on the performance of the economy and the lives of citizens. Critics on the left frequently argue that the state in market economies simply serves the interests of business, while liberals argue that the state should merely provide a legislative framework and socio-political conditions to ensure that business can operate efficiently. However, the evidence suggests that, in market economies, business and government need each other if they are to achieve their goals. Negotiation and collaboration between business and government is critically important if South Africa's development challenges are to be addressed.

The political influence of business lies in "the widespread recognition that it is a fundamental mechanism for achieving human progress" (Weidenbaum, 1999: 5). In South Africa, business is the goose that lays the golden eggs and thus, has an important role to play in the upliftment of the population. Business has access to capital, resources, skills, infrastructure and mechanisms of delivery. Coupled to this there is a widespread belief that big business benefited from apartheid to the detriment of black business and workers, and thus there is an expectation that these businesses should contribute to the country's transformation to compensate for the past. On the other hand, business, both domestic and international, depends critically on government and the exercise of its legal powers to ensure an environment conducive to its success. The most compelling reason for business to enter into a bargaining relationship with government is aimed at stabilizing the environment in which business operates.

Business and a private enterprise economy is also an important limit on the power of government, which is essential for the survival of democracy. According to Adam

(1997: 277), regardless of the dominant party's agenda, any South African government is dependent on many other diverse forces, particularly, white-dominated business. However, the state is, according to Adam (1997: 278), "an agent neither of capital nor labour but attempts to reconcile and arbitrate their conflicting interests according to the shifting pressures of the day". In light of these two conflicting views of the government, this study aims to estimate the political influence that business exerts on the policy process in South Africa. In so doing the study will attempt to provide a deeper understanding of the sources and scope of business power.

1.6 Summary of Chapter

The discussion so far has argued that, South Africa's policies and institutions are not being reformed in a vacuum. Rather, South Africa is increasingly part of a dynamic global economy that is exerting considerable influence on the policy choices available to government, in its directive to address the economic legacies of Apartheid. The rapid changes experienced within the world political economy, driven by the end of the Cold War, the neo-liberal economic agenda and globalisation, have had major implications for how South Africa is able to, and does perform in these environments. The ANC-led government is trying to co-exist and co-operate with globalisation forces, while continually facing accusations of selling out the interests of the state to foreign powers and global capital.

The case of South Africa succinctly captures the dilemma of the state trying to address the development requirements of its population while simultaneously conforming to the neo-liberal project as prescribed by the global political economy. However, the ANC-led government has also been subjected to pressures from domestic capital, since it was first un-banned in 1990.

The unfolding era of neo-liberalism has ushered in an enormous surge in the power of capital and a decline in the organization and influence of labour. This surge in relative power has allowed the South African business community, to impose its own discipline on government and to narrow the sphere of public decisions. Fear of loss of competitiveness, in attracting capital, both domestic and international, has forced

government to make their policies increasingly capital-friendly rather than responding to popular will or broad social interest.

The chapters which follow, will aim to demonstrate, within the context of globalisation, the nature and extent of business' influence on the policy process in South Africa since the transition to democracy. Ultimately, what is needed is an analysis that shows the role of business in influencing government decision-making.

Chapter Two will establish the features of globalisation and South Africa's position within this process. The chapter will analyse the relationship between the ANC and business that developed in South Africa between 1990 and 1994, and later facilitated the ANC's acceptance of a neo-liberal macroeconomic strategy in 1996.

In Chapter Three, South Africa's position within the process of globalisation will act as a guide to describe the relationship between business and government by analysing; firstly, the influence of business within the policy-making process since 1996, and secondly, the influence of business in the outcomes of government's black economic empowerment strategy.

Chapter Four will evaluate business' political strategies and show how business has attempted to optimise its position vis-à-vis the currents of globalisation. The chapter will conclude by analysing the implications of globalisation for the business-government relationship, and the implications of this relationship for government's mandate to redress the economic legacies of apartheid.

CHAPTER TWO

THE POLITICAL ECONOMY OF SOUTH AFRICA DURING THE 1990s

2.1 Introduction

One of the most important policy challenges facing South Africa today is to respond to the changes in the way in which the contemporary world economy works, while simultaneously attending to the social agenda of creating jobs, reducing poverty and inequality. Understanding the globalisation context within which South Africa is located, is essential in pointing to options in economic and, social policy and the role of the state.

While market-oriented reform in the developing world is largely a function of pressures emanating from the international economy, in the case of South Africa it has also been internal forces, which have favoured reform (Adams et al. 1999: 5). The general acceptance and dominance of capitalism in the world political economy cannot be disputed, and the 'new' South Africa's economic strategy conforms to this trend. Cognizant of state policies, businesses must of course also seek to position themselves strategically so as to capitalize on the opportunities of globalisation.

2.2 The Economic legacies of Apartheid

South Africa suffers from high levels of income inequality. During the Apartheid era, land dispossession forced black people into the labour market, but influx control restricted their access to urban employment, channeling many into low-wage jobs on the farms and mines. Higher paid, skilled employment was "reserved for white people while black workers were excluded from industrial collective bargaining institutions" (Lundahl, 1999: 46). Under this institutional framework, the market acted "like a malevolent invisible hand, working to the advantage of white workers and capitalists, and widening the wage differentials between white and black workers" (McGrath, 1990: 92). As a consequence, white people comprised just twenty percent of the population but earned seventy percent of the national income by the 1970s. In the

early 1990s poverty was increasingly widespread. In terms of the Human Development Index, a composite measure of life expectancy, per capita income and level of education, South Africa ranked ninetieth out of 175 countries. Inequality is still the hallmark of the way this poverty was distributed. In 1993, for example, 34,5% per cent of the African population were in the lowest income categories, 3,7% of the Asians, 17 per cent of the coloureds and 1.5% of the whites (Du Toit, 2000: 121).

Thus, apart from the abolition of the apartheid system, the most urgent requirement of the liberation movement, spearheaded by the ANC, was to rectify the inequalities that had accumulated over three centuries.

Evening out these inequalities has proved to be a much more difficult process than that of laying the foundations for political democracy. In the wake of apartheid, South Africa emerged with a highly distorted economy in dire need of reforms. According to Petersson (1998: 64), the economic legacy of apartheid was twofold: “on the one hand income and welfare disparities that were among the largest in the world, and on the other hand an inefficient resource allocation”, that had severe adverse effects on the growth rate as well.

According to Marais (1998: 102) South Africa entered the transition with an economy “buckled by almost two decades of steadily worsening difficulties which manifested in the aftermath of the 1973 international oil shocks, economic sanctions against the apartheid state, a feeble Gross Domestic product (GDP) growth rate, declining rates of fixed investment, low rates of investment, plummeting levels of personal savings, high unemployment and balance of payment difficulties”. Other structural factors depressing the economy included a shortage of skilled and a surplus of unskilled, poorly educated and low-productivity labour, conflict-ridden industrial relations, industrial decay, low investment in research and development, bias against the medium and small business sector in favour of large monopolies, the skewed distribution of social infrastructure such as housing, education and health care which restricted labour productivity and lastly, rampant poverty entrenched by a high unemployment rate (Marais, 1998: 102).

The effects of these inherited weaknesses worsened during the negotiations period. Between 1989 and 1993 the economy sank into its longest ever recession and the mood among the economic elites was unreservedly downcast, with Reserve Bank governor Chris Stals warning that the country would “plunge into ungovernability by 1996 if the annual growth rate remained at around 1 percent while the population grew by 2,5 percent” (Marais, 1998: 101).

A flood of economic scenarios and policy frameworks were generated while political negotiations proceeded. Business interests spearheaded this flurry of interventions as they sought to forestall the possible adoption of a new economic strategy that might be predicated on increased controls over capital.

No one questioned the need for redistribution, of all countries South Africa presents the most unequal distribution of income, and the differences follow ethnic lines. The debate revolved around finding the best strategy for closing the gap.

For the ANC, the envisioned post-apartheid democracy was viewed “as a social-democratic democracy combined with economic egalitarianism” (Taylor, 2000:139). The Freedom Charter was referred to when the question was asked how a post-apartheid economy was to be structured. It is thus fair to say that the ANC was apparently committed to a mixture of state intervention and a socialist reform of the underpinnings of the economy via nationalism. The ANC’s close linkages with the South Africa Communist Party (SACP) gave this socialist orientation impetus. Nevertheless, the ANC’s un-banning in 1990, “presented the ANC with a new national terrain and international influences which demanded new strategies and tactical adjustments” (Taylor, 2000: 139).

The emergence of an integrated global economy in the early 1990s, and its policy prescriptions, led to a great deal of confusion vis-à-vis economic policies, as the following analysis of the transition period will show.

2.3 Defining Globalisation

An unprecedented economic integration of the world economy has been experienced since the early 1990s. This process amounts to the integration of economies throughout the world through trade, financial flows, the exchange of technology and information, and the movement of people. Whilst internationalization has been the “pattern since the Second World War” (Calitz, 1997: 45), and is therefore nothing new, the recent trends are qualitatively different from the earlier phase, which was characterised by the expansion of international trade. Recent trends reflect the intensification of economic linkages that transcend national boundaries. This process began in the 1970s and continues today.

According to Mittelman (2001: 2), in the 1970s, the “international economy consisted of a handful of industrial countries that exported manufactured goods to a multitude of developing countries”, which in turn sent abroad their primary products, mainly agricultural commodities and natural resources. Following the collapse of the Bretton Woods system of fixed exchange rates, in 1971, a deep recession began in the United States in 1973, the year of the first oil shock. The effects of the recession spread quickly, initially to the West and then to the socialist and developing countries. After the Vietnam War, “there was an oversupply and simultaneous fall of prices in primary commodity markets, and also a rise of real interest rates”, and as a consequence the debt crisis of the early 1980s emerged.

Against this backdrop, large external debts allowed international creditors and donors to shape macro-economic policy in many countries. Since the early 1980s, structural adjustment programmes (SAP's) mandated by international financial institutions prescribed the opening up of national economies and orientated, or reorientated, development strategies. Underlying these structural adjustment programmes was a neo-liberal development strategy, referred to as the Washington consensus, which prioritises the opening up of national economics to global market forces and requires limited government intervention in the management of the economy.

Neo-liberalism became a culturally specific formula, one that has been extraordinarily mobile and been disseminated as an ostensibly universal and moral proposition. Also,

neo-liberalism came to be seen as the way out of the ongoing crisis of the 1970s and as “a device, which could reconstruct an order that defended the position of an increasingly transnational capital in an era of restructured capitalism” (Taylor, 2000: 86). In short, neo-liberalism emerged as a hegemonic ideology that “underlay the emergence of a new mode of regulation” (Brown, 1997. 251).

The West largely moved from capital-intensive towards technologically intensive industries. Focusing on greater integration in the global economy, the Reagan-Thatcher idea of neo-liberalism extended “from Anglo-America to other parts of the world, eroding barriers, relaxing restrictive frameworks for cross-border transactions, and allowing information, goods, and labour to flow more easily across national boundaries” (Mittelman, 2001: 3).

The network concerned with the spread and application of neo-liberal economic ideas is an example of an epistemic community. An appropriate framework for describing the hegemony of neo-liberalism is provided by Antoniades (2003: 26), in his analysis of the role of epistemic communities in the construction of world politics. Epistemic communities are conceptualised and defined by Antoniades as ‘thought communities’ made up of socially recognised knowledge-based networks, the members of which share a common understanding of a particular issue or a common worldview and seek to “translate their beliefs into dominant social discourse and social practice” (Antoniades, 2003: 30). These communities might be local, national or transnational.

The epistemic community has a constant and holistic character aimed at “the establishment and perpetuation of beliefs and visions as dominant social discourses” (Antoniades, 2003: 30). These communities intervene and influence policy processes in a variety of ways, by influencing the conceptual framework in which every policy process is embedded. Influencing how a policy process is conceived and the way in which the content of the roles of the actors is conceptualised, and how a situation is defined, are examples of influence these communities exert. Most importantly their influence includes “the way in which the possible/impossible and acceptable/unacceptable axes are conceptualised, and thus the way in which actors conceptualise structural constraints” (Antoniades, 2003: 31).

2.3.1 The 'Common-Sense' of Neo-liberalism.

After the Cold War, free markets, an idea and a set of policies propounded and monitored by some states, public intellectuals, and international agencies, especially the International Monetary Fund (IMF), have become "an icon as well as a matter of faith throughout much of the world" (Mittelman, 2001: 3). Foreign assistance, loans, credit ratings and foreign investment are conditioned on implementing neo-liberal policies, namely deregulation, liberalization, and privatization. Language has an important role to play in the construction of a common worldview. By having a strategic role in the construction of social reality, epistemic communities have an "important role in the construction of the language that is used to describe and depict this reality" (Antoniades, 2003: 30). Neo-liberalism has become synonymous with an integrated set of economic terms, as referred to above.

For neo-liberals, contemporary globalisation defines a new epoch in human history in which market capitalism, following the collapse of state socialism in Eastern Europe and the Soviet Union, has triumphed across the globe, to the extent that there is no longer a viable alternative development path. This is a conception of globalisation, which "reflects an economic interpretation and celebrates the emergence of a single global market and the principles of free trade, capital mobility, and global competition as the harbingers of modernization and development" (McGrew, 2000: 349).

As globalisation brings about a progressive denationalisation of economies, through the establishment of transnational networks of production, trade and finance, governments have to adopt more market-friendly policies to attract much needed foreign capital. In this borderless global economy governments are "relegated to little more than transmission belts for global capitalism or catalysts for nurturing the competitive advantages of their national economies" (McGrew, 2000: 349). This vision of a global market civilization has been reinforced by the policies of the major institutions of global economic governance.

Epistemic communities play a significant role in the way in which states decipher their environment and define their interests. The community can engage in the policy process either directly or indirectly. Direct involvement occurs as "members or

representatives of governments or international organisations, or otherwise as decision makers themselves” (Antoniades, 2003: 31). Indirect involvement occurs through consultants, members of think-tanks, journalists or any other position that “allows them to influence the policy process” (Antoniades, 2003: 31).

The case of indirect involvement of epistemic communities in the policy process is the more complicated of the two. Most analysts agree that the importance and influence of epistemic communities increase in conditions where decision makers are unable to assess the expected outcomes of their alternative policy choices, or even when they cannot understand what the problem is exactly. Therefore when traditional policy patterns fail to function, the demand from decision makers for specialised information, advice and guidance becomes vital and urgent. The debt crisis of the 1970s provided the conditions whereby states needed to address their economic troubles. The epistemic community that developed during the Thatcher-Reagan era of the early 1980s aimed to provide solutions to these problems.

Over time, globalisation “has been organized and institutionalized in quite different ways, from the global empires of the nineteenth century to the present, when world empires have given way to the freedoms of the global market, laissez-faire economics and multinational capital” (McGrew, 2000: 347). Contemporary globalisation is organized and reproduced through distinctive mechanisms and infrastructures of control, from the International Monetary Fund (IMF), the World Trade Organization (WTO), to the Internet, global corporations and non-government organizations.

The agents involved in constructing the neo-liberal hegemony are the IMF, the World Bank, WTO, and regional development banks. Also, involved are transnational organisations “such as the Bilderberg group and trilateral commission, and a number of highly influential think tanks and foundations” (Taylor, 2000:92). These private sector funded think tanks and their associated collection of intellectuals, developed over a period of time, the “terms of debate that promoted the neo-liberal discourse until it became the hegemonic ideology within a trans-nationalised elite class” (Taylor, 2000: 93). The term ‘think-tank’ refers to “independent policy research institutes containing people involved in studying a particular policy area or a broad range of policy issues” (Stone, 2000: 154). These institutes actively seek to educate or

advise policy-makers and the public through a number of channels. If a think tank seeks a long-term impact on government thinking, it may invite politicians and bureaucrats to attend seminars. Alternatively, a think tank may place higher value on influencing the media if it desires to “shape the parameters of public debate” (Stone, 2000: 154).

Think tanks are a phenomenon primarily of the 20th century. The first policy research institutes were established as state-based organisations catering to “elite national audiences in response to growing levels of literacy and pressures for public debate” (Stone, 2000: 156). From 1945 think tanks developed extensively in response to World War II and later, the Cold War. The number of social and economic policy think tanks also increased as government intervention into the economy and society increased in the early 1970s. By 1974, precipitated by the oil crisis, think tanks started to act transnationally and in global forums. They were in effect “political barometers of broader trends and a response to wider environmental factors” (Stone, 2000: 157). The major proliferation of think tanks worldwide has been propelled by international movements of finance and human capital and by adopting broader research agendas in recognition of “compromised state sovereignty and various processes of economic and political globalisation” (Stone, 2003: 157). These dynamics have seen the expansion of international agendas and the emergence of transnational policy communities with growing power. These communities attempt to influence policy processes directly, and indirectly, and think tanks play an important role in the indirect influence these communities attempt to exert.

The main dimensions of epistemic communities’ indirect involvement in the policy process include: firstly, by acting as advisors, consultants or sources of information, in the form of think tanks, epistemic communities may decisively influence a state’s policies and interests. Secondly, epistemic communities can decisively influence the formation of the agenda in both domestic and world politics. This can be done by either adding new issues to the agenda or by changing the way in which existing issues are approached and conceptualised. In both cases an “alliance strategy is developed, where the members of a community try to inform and mobilise as many people, groups and organisations as possible” (Antoniades, 2003: 33), thus increasing

support for their ideas and the pressure on the political system to accept their approach.

The neo-liberal project is conducted by an epistemic community, which seeks to promote consensus around the norms of neo-liberalism. This neo-liberal project is accompanied by “a strategy aimed at constructing a new common sense based on neo-liberal norms” (Taylor, 2000: 92).

2.3.2 Economic Globalisation

According to Machaka et al (2003: 6) “globalisation is a multi-dimensional concept incorporating global integration of economic, social, political, environmental, cultural and religious life”. The United Nation’s Development Programme’s (UNDP, 1998: 82) 1997 “Human Development Report” points out that the term ‘globalisation’ both describes and prescribes the system of economic relations in the world today. This study focuses on only one dimension, economic globalisation⁴. The mosaic of globalisation reflects the fact that international flows of trade, finance and information are being integrated into a single global market.

The first feature is the widely held recognition or acceptance of a market-based economic system as the best mechanism for the creation of wealth. Since the international debt crisis of 1982, the neo-liberal project has constructed the social discourse that facilitated an “unprecedented wave of market-orientated economic reforms have swept across the globe” (Calitz, 1997: 46).

The integration of markets is most visible in two areas: the liberalization of international trade and the liberalization of financial markets. The former takes place under the auspices of the World Trade Organization (WTO). Since the WTO agreement was reached in 1993, 138 industrial and developing countries have signed agreements of far-reaching trade reform. This entails removing many non-tariff barriers and eliminating and reducing tariffs.

⁴ Henceforth in this study the term ‘globalisation’ will refer to ‘economic globalisation’.

The process of economic transformation has delivered a set of measures by which most countries today test their policy strategies and which is described as the set of measures typically required in the first stage of policy reform. This is called the Washington consensus, a clear reference to the policies, which the IMF and the World Bank include in their lending agreements with member countries. The reasoning behind the Washington consensus is eclectic and draws strongly on neo-liberal thinking.

While indicating the array of actors engaged in the globalisation processes, consideration is, above all, given to the strategies they use to capture changing global structures, and whether they are doing so in a democratic or undemocratic way (Mittelman. 2001: 5). Both state and non-state actors seek to “capture” political and economic power or aspects of it. Mittelman (2001: 11) argues that to the extent that globalisation entails a restructuring at several levels, there are new winners and losers.

Neo-liberal values and policies are not neutral in terms of social relations, but set conditions for the interactions between captors and the captive. At one level there is the question of how the state is managing globalisation through its policies in the realms of technology, manufacturing, trade, human resources and so on. Like other actors, corporations have to adjust to the changing parameters within which they operate.

Embracing a neo-liberal framework of liberalization, deregulation, and privatization, the globalisation paradigm clearly offers benefits to all who would partake in this process, but in an uneven manner. In this regard globalisation significantly erodes the sovereignty and autonomy of states.

According to Mittelman (2001: 15), “the higher the level of globalisation, the greater the degree of marginalisation”. Enclaves of poverty exist within the wealthy countries of the north and a multitude of impoverished countries, such as South Africa. At the same time, the neo-liberal formula prescribes de-linking economic reform from social policy, which places a greater burden on the poor.

The chief beneficiaries of globalisation are, transnational mobile capital in trade, industry, and finance, as well as domestic firms positioned to enter into a strategic alliance with overseas partners. Although capital and holders of state power would like to have it both ways, to reap large profits from globalisation and avert the failings of the system (Mittelman, 1996: 236), there is an important point here about the instability and inconsistency of globalisation: No one is in charge.

Economic policies under globalisation are largely embedded in neoclassical economics. This is characterized by economic liberalization “on the back of macroeconomic stability as a necessary condition for sustained economic growth” (Calitz, 2000: 568). With the latter, in turn regarded as a necessary condition for sustainable poverty reduction and income redistribution in developing countries.

Economic policy is designed to serve development strategy, and in order to reap the benefits from international trade the strategic orientation is outward and market orientated. A large part of the globalisation debate deals with the role of the state in the globalization process. While the policy discourse questions primarily who will guide the state and what size it should be, the more basic question asks whether the state is sidelined in the globalisation trend. According to Mittelman (1996: 233) in the face of a growing concentration of unaccountable economic power at the global level, domestic regulatory frameworks are still able to control global flows, and the state is engaged in internal restructuring, realigning the scope of and hierarchy among economic ministries, enhancing outward-orientated agencies, and diminishing welfare activities.

Accordingly, the economic logic of South Africa, since the adoption of GEAR in 1996, has been to “introduce a set of orthodox, outward-oriented, investor-friendly stabilization and adjustment policies; make the labour market more flexible, cut government-consumption spending, and boost investment by the government and parastatals” (Nattrass, 1996: 29). The logic assumes that these measures will in turn send positive signals to the market and thus boost investor confidence. Private investment will rise as business confidence increases. Once investment occurs, a rapid expansion in output occurs and employment will soon follow. We thus get the result

that promoting the interests of capital is necessary for growth, and ultimately benefits the poor and unemployed.

It can therefore be assumed, that South Africa's adoption of the neo-liberal macro-economic policy, GEAR, is evidence of the ANC-led government's acceptance of the 'common-sense' of neo-liberalism. The following section will attempt to explain how this process occurred, and specifically, to what extent the domestic agents of this process, namely business, influenced this process.

2.4 South Africa's Transition to Democracy: International and Domestic influences from 1990-1994

Since the un-banning of the ANC in 1990, the party has been exposed to many new influences, the most important being new international realities created by globalisation, and the harsh reality of the weakness of the state as an instrument for effective action. These factors have pushed the ANC leadership towards a new approach to economic issues and the role therein, afforded to the South African business community.

2.4.1 Forces of Change: Business and the Final years of Apartheid

The 1980s were a worrisome decade in South Africa. It became increasingly clear that the Apartheid system could not survive forever. Martin Murray (in Koelble, 1998: 18) argues that apartheid's demise was related to the deterioration of domestic business in the late 1980s. Having seen its rather successful enclave economy brought to the brink of collapse by; a long-term recession, international sanctions, and a starvation of foreign investment, "it was the business community that first initiated contact with the ANC and the ruling National Party to bring an end to apartheid".

From the mid-1980s, leaders from domestic capital had begun to develop a counterrevolutionary strategy designed to "shape the socio-economic transition that would parallel the political one" (Saul, 2001: 436). The trigger was the near revolutionary mobilization of popular forces against the established system that marked the 1980s. Faced with so serious a political crisis, it was Anglo-American

business executive Zac de Beer who enunciated that “years of apartheid have caused many blacks to reject the economic as well as the political system....we dare not allow the baby of free enterprise to be thrown out with the bathwater of apartheid” (Financial Times, 1986).

With this attitude, South Africa’s business community prepared themselves to sever the relationship between the structures of capitalist exploitation and racial oppression that had proven to be so profitable in the past. Also, increased interaction with Nelson Mandela in prison and Thabo Mbeki and others in exile merely “helped confirm the growing sense that the ANC might be a potential participant in a transition that safeguarded the essentials of the established economic system” (Saul, 2001: 437).

This pre-emptive strategy was attached to the importance of a related perspective on the crisis the late-apartheid economy was confronting, a perspective that served further to underscore the need for reform. In fact, South African capitalism was increasingly viewed “not only as prisoner of an outmoded racial ideology but as an outmoded economic strategy as well” (Saul, 2001: 437). In an ever more neo-liberal age, the racially motivated economic interventions of the South African state were merely one way in which that state was deemed to be overly intrusive into the ‘revered’ domain of the market. Thus, in its last years, the NP government itself moved a long way towards the embrace of neo-liberal orthodoxy.

A key point in the evolution of this trend was the publication of the White Paper on Privatisation and deregulation in the Republic of South Africa, in 1987. The document committed the government to a series of radical measures, including systematic privatisation and deregulation and to a process of opening up the economy more fully to market forces. Such commitments represented a fundamental shift in the economic ideas underpinning the formerly statist National Party, and a broad agreement between capital and government over economic policy. The slight shift to neo-liberalism reflected the change in the balance of power in South Africa at the elite level, an “echoing of an actuality that had occurred throughout the world, from domestic-orientated economic nationalists to an increasingly trans-nationalised globally-oriented neo-liberalist fraction” (Taylor, 2000: 118).

South Africa was largely isolated from the impact of international trade issues as a result of its pariah status under the apartheid regime. Even though sanctions did play a role in this, the “international financial community isolated South Africa more for its non-adherence to international standards of debt repayment than for political reasons” (Bethlehem, 1993: 143). A regime of international trade sanctions had thus depressed South Africa’s international competitiveness and this pressurised the Anglophone companies of South Africa to press for “active interaction with globalising impulses and the concomitant trans-national linkages” (Taylor, 2000: 115). The aspiring Afrikaner elites, in alliance with their English-speaking counterparts, realised that a continuation of their privileged position within society “rested on a renegotiated political understanding that was derivative of, if not dependent on, the thrust of what was increasingly called globalisation” (Taylor and Vale, 2000: 402). It was these elites that came to push the NP towards negotiations.

The Afrikaner elite came to identify itself with the already existing transnationalised elites within South Africa and adopted the free-market convictions already advanced by the English-speaking elites. This could be interpreted as the initial appearance of a national epistemic community that aimed to ensure that a negotiated settlement would protect the interests of capital, and ensure the opening up of the South African economy, in line with global trends.

The South African capitalist elites proceeded from the assumption that a political solution that involved the preservation of the vital interests of capitalism within the framework of a non-racial democracy was of great urgency. According to Sampie Terreblanche (in Taylor, 2000: 116) this realisation was centred around an ‘elite cartel’, which in itself was made up of five smaller power blocs. These were namely; the Afrikaner-dominated state bureaucracy; the English-dominated capitalist class (with a strong Afrikaner presence); the powerful media closely tied to corporate capital; well-organised professional groups within civil society; and the National Party establishment.

Centred on De Beers Consolidated, Anglo-American Corporation, Gencor, Barlow Rand, the Anglophone corporations typified the trans-nationalism of South African

capital. The elites within these conglomerates represented a class, or community, that had established South Africa's importance to the global capitalist system.

As stated above, contact between the ANC elites in exile and big capital had started in 1986, with Anglo-American's tentative discussions, and was followed up by others from the business and Afrikaner establishments. The purpose of these talks was to "break down mistrust of the ANC by the Afrikaner elite and business and vice versa and to persuade the ANC of the need to share power" (Weldmeir, 1997), in essence, to lay the groundwork for a future historic compromise.

This was a strategic move on the part of business because, capitalism and Apartheid were "seen by many blacks as two sides of the same coin" (Lazer, 1996: 613), thus encouraging a hostility to economic ideologies which assumed the necessity of free markets.

One can conclude that, it was clear that apartheid had become bad for business and the elites at both the national and international level realised this. Thus, the NP felt intense pressure to open up the political process. The task, which centred on FW de Klerk and the ruling party, was to oversee changes to the political structure of South Africa "without endangering the economic base of the entrenched elites-to make South Africa safe for capitalism" (Mbeki, 1999)

The strategies pursued by business were driven by hegemonic interests, that aimed to "secure the class privileges and well being of the local white elite and crucially international capital within South Africa" (Taylor, 2000: 117), whilst also appealing to the class aspirations of the fractions within the ANC that had always aspired to join the ranks of the bourgeoisie.

By the time the government's Normative Economic Model was on the table in 1993, government and big business were at one "in respect of policy issues relayed to liberalising external economic relations, and shared an agenda for the future". (Padayachee, 1997). The essential result of this agenda was to forge a working compromise that would preserve the process of accumulation and production in South Africa whilst deracialising and deconstructing the more obvious aspects of apartheid.

Conscious of the hegemony of neo-liberalism on a world order scale, the 'elite cartel' of capital attempted to lock-in any new ANC administration into the norms of world capitalism.

According to Marais (1998: 147) when the ANC was unbanned in 1990, it had no formal economic policy. Its first serious attempt to formulate a coherent economic policy came in the form of the "Discussion document on Economic Policy" and echoed policy work done by Cosatu's economic trends group, which had been responsible for efforts to chart a sustainable, progressive economic strategy. In 1994 Nattrass (in Marais 1998: 148) wrote that central to the document was the "restructuring of the economy which could include anything from extensive state intervention to conventional market driven structural adjustment".

2.4.2 The ANC and Economic Policy: Coming of Age

The ANC was a coalition of several groups, and its ideology during the anti-apartheid struggle, if not predominantly Marxist, was well left-of-centre. In South Africa, the market and capitalism were integral aspects of the former colonial and apartheid system and therefore highly suspect to the liberation movement. In the past the distribution of resources, political power and access to upward social and economic mobility was based on race. Capitalism was therefore "associated with serving the interests of a small and racially defined group, and not the larger society" (Koelble, 1998: 8).

For the national liberation movement the post-apartheid 'national democracy' envisioned was viewed as "social-democratic democracy combined with economic egalitarianism" (Taylor, 2000: 139). The organisation was apparently committed to a mixture of state intervention and a socialist reform of the underpinnings of the economy via nationalism. The ANC's close linkages with the SACP spurred this socialist orientation on. However, the ANC's un-banning presented the party with a new national terrain which demanded new strategies and tactical adjustments but this led to a great deal of confusion vis-à-vis economic policies.

The struggle had been mainly political, where “the leaders had been either in exile or in jail and few advances had been made on the vague and contradictory formulations of economic strategy presented in the Freedom Charter” (Lundahl, 1999: 52), a document that was by then thirty five years old. The Freedom Charter called for the nationalisation of mines, banks and monopoly industries and for a transfer of land from whites to Africans. However, it was clear that the ANC did not have much of an economic program to present to the world.

The beginning of negotiations with the National Party made it increasingly necessary for the ANC to formulate an economic strategy. As a result, during the next four years an economic programme was born. This programme was taken over by the Government of National Unity after the 1994 elections and, remained in place for a while after the resignation of the Nationalists from government.

The first steps to a formal economic policy were taken during two workshops held by the ANC and Cosatu in Harare in 1990. This produced a document where the state would play the role of the efficient guardian that would put the economy on a growth path, boost incomes and employment, and enable the satisfaction of basic needs. In the document, redistribution was seen as conducive to growth, via a restructuring of demand leading to a creation of mass markets, and as a way of satisfying the basic needs of the population.

According to Hein Marais, (1998: 148) the ANC’s initial documents on economic policy echoed policy work done by Cosatu’s Economic Trends group, which until then had been responsible for the most substantial efforts to develop a coherent yet progressive economic strategy. At the core of the Discussion Document was a basic commitment to the restructuring of the economy. In a seemingly direct challenge to business, the document also argued for the unbundling of massive corporations that dominated and controlled the South African economy whilst capital’s familiar demands for low labour costs were rejected. At the same time, and further challenging business, a pivotal role for labour was envisioned in the originating and execution of industrial policy.

Essentially rejecting the underpinnings of neo-liberalism, the document's basic message centred on "growth through redistribution", in which redistribution acted as a spur to growth and in which the fruits of growth are redistributed to satisfy basic needs. The premise behind this position was that growth would be promoted first, by meeting the basic needs of the majority through a redistribution of income, which would increase employment, demand and production.

Such an economic programme reflected the influence of the left within the ANC at the time. The document also came out early on in the transition process and before the "ideological onslaught from the neo-liberalist epistemic community was to work its effect on the decision making elites within the ANC" (Taylor, 2000: 142). The prescriptions of the 'growth through redistribution' agenda were immediately attacked by an array of pro-business elements in the media and independent policy think-tanks, as well as by various conservative economists. Critics grounded their analysis on the supposed negative effects the prescriptions would have on foreign investment, whilst at the same time arguing that the deficit that would be spurred by such policies would have an inflationary impact.

Essentially it was argued that increased state expenditure would "overheat the economy, and bog it down in a morass of foreign exchange shortages, currency devaluations, rampant inflation, severe indebtedness and cuts in real wages" (Marais, 1998: 49).

The Macro-economic Research Group (MERG) was established in November 1991 as a Canadian-funded, university based endeavour supported by the ANC, to essentially "develop a new and progressive macro-economic framework for a post-apartheid South Africa" (Taylor, 2000: 162). The ANC requested of MERG to produce a macro-economic framework that it could use as settlement approached. As a result the group released its main report, "Making Democracy Work", in December 1993, which represented a return to the initial economic thinking prevalent at the ANC's 1990 Harare workshop. However, the suggestion by MERG that the state serve a leadership and coordination role in intervening in specific areas of economic policy of course "directly contradicted the neo-liberalist common sense view that envisioned a

massively reduced role for the state in the economic realm” (Taylor, 2000: 164), and so was criticised for going against the prevailing global wisdom.

According to Marais (1998: 160), the perspectives gathered in the MERG report “rapidly fell victim to a dominant discourse and a balance of forces that had tilted ineluctably rightward”. Even though the elements of MERG were broadly incorporated into the base document of the RDP, it was to prove a temporary practicality as the hegemonic project increasingly came to hold sway at the elite levels.

2.4.3 Strategies of Influence: Liberating Capitalism

In reply to the ANC’s economic documents a “charm offensive was launched on the ANC elites by big capital and its class allies, particularly in the business press and various think-tanks, to correct any remaining heresy in the movements economic policies” (Taylor, 2000: 164). This created a scenario whereby the business sector moved into the political arena and “sought to promote a free-market vision of a post-apartheid South Africa” (Taylor and Vale, 2000: 407). Business, thus, spearheaded a national epistemic community that aimed to dictate the policy agenda based on a neo-liberal discourse.

According to Padayachee (in Taylor, 2000: 119), after 1990, the De Klerk government, private local capital and the international financial institutions “came to form an informal ‘triple alliance’, and honed in whenever the occasion presented itself to attack and disparage any ‘business unfriendly’ ANC economic ideas and proposals”, which they portrayed as naïve and indicative of a dangerous commitment to socialism. By doing so the hands of the ANC “were tied as the reforms had created a new irreversible reality that NP successors dared not touch out of fear of alienating the market” (Rodrik, 1996: 37).

Philip Truluck asserts (in Callinicos: 1992), to achieve hegemony, a class must obtain intellectual and moral leadership by fashioning the ideological conditions for its construction. This role is “fulfilled by a technical intervention within civil society by

such intellectuals, invariably working within the remit of advocacy-type “think-tanks”⁵.

Members of the business community were quite conscious of this and promoted their willingness to become agents of change, as large-scale capital became increasingly aware that if a market orientated democracy was not established soon in South Africa their future was inescapably austere (Financial Mail, April 29, 1994). An epistemic community, that aimed to construct a neo-liberal hegemony in South Africa, developed in response to this crisis, which has been termed by Mark Swilling (in Callinicos, 1992) as the “change industry”.

Activities of the change industry helped stifle ideological debate and steer the ANC elites into accepting the particular norms that neo-liberalism promotes. As a result the transition witnessed, “a fundamental revision in the ANC’s conception of democracy and its earlier commitment to economic egalitarianism receded in the face of pressure from international and domestic business interests” (Habib and Pillay. 1998: 104).

Taylor (2000: 127) asserts that “there was a phenomenal number of workshops, seminars, discussions, conferences and talks right across the country in boardrooms, in industrial relations seminars, in local-level negotiations, and in universities”. This campaign was funded by local capitalist interest, with a massive amount of American money being pumped into IDASA and other organisations. Swilling (in Taylor, 2000: 127) correctly summarised this process as critically important for socialising people. Such an analysis echoes the views of Stone (2000: 156), who argues that think-tanks, intellectual groupings, as well as other organised interest blocs attempt to influence economic policy in line with the worldview of a particular community.

The change industry, as termed by Mark Swilling (in Callinicos, 1992) helped shape the discourse around which the ANC’s policies were formulated. The change industry can be said to have taken on the form of an epistemic community. These communities

⁵ “Think Tanks as Advocates for change: An interview with Philip Truluck by the Centre for International Private enterprise”, <http://www.cipe.org/e21/true21.html>

according to Antoniades (2003: 31) intervene and influence policy processes in a variety of ways. They influence the conceptual framework in which every policy process is embedded by prescribing how a policy process is conceived and the way in which the content of the roles of the actors is conceptualised. They also influence the way in which a situation is defined; the way in which the possible/impossible and acceptable/unacceptable axes are conceptualised, and thus the way in which actors conceptualise structural constraints.

Thus, in the absence of any strong alternative socialist epistemic community, the business-aligned change industry, along with the transnational epistemic community of the International Financial Institutions, helped bolster and reinforce the conservative fraction within the ANC that has already been highlighted and so contributed to the further marginalisation of any counter-hegemonic impulses within the liberation movement.

This analysis correlates with Robinson's (1995: 649) own assertions that "specialists, operating out of policy groups, foundations, think-tanks, university research institutions, and government agencies, bring long range political considerations and issues concerning social stability to the attention of the dominant classes and their inner core in the corporate community". By doing so, such activities constitute the crucial mediating link between social discourse and social structure in the development of policy and the construction of hegemony. According to Antoniades (2003, 26), these knowledge-based networks (termed in South Africa's case as the change industry), which share a common understanding or a common worldview, seek to translate their beliefs into dominant social discourse and social practice. The change industry thus sought to translate its neo-liberal ideology into the dialogue on South Africa's economic future.

To this end, business' personal contact with ANC leaders was combined with a series of "corporate scenario planning exercises released and aggressively promoted after 1990" (Taylor, 2000: 146). First was Nedcor/Old Mutual's "Prospects for a successful Transition" launched in 1990. This was followed by the insurance conglomerate Sanlam's "Platform for Investment" scenario and social-democratic "Mont Fleur Scenarios". At the same time, other documents such as the South African Chamber of

Business' Economic Options for South Africa were brandished as 'realistic scenarios. These were all aimed at bringing to the public's attention the various plans proposed by business.

According to Bond (1997: 16), Such efforts and tactics continued the rightward drift of the ANC and served as "a political retreat, paved with consensus-formation in cosy seminars sponsored by business-oriented think-tanks, of which Anglo American, Nedcor/Old Mutual and Sanlam stand out". The activities of the scenarios were aimed at limiting the terms of the debate or social discourse within the change industry's vision and in "constructing a common sense view of the options available, dismissing alternatives as nonsensical economic populism and hence dismissible as non-serious intrusions into the economic debate" (Taylor, 2000: 150).

As a result, by 1992 nationalisation was "effectively no longer a serious option on the economic agenda of the ANC" (Taylor, 2000: 157). The 'courting' of the ANC elites went back to 1986, before the organisation was un-banned. Thus, though the overt behaviour of the "change industry" is most discernable post-1990, this was the visible manifestation of an attempt at influence building that had begun a considerable time before. This of course occurred within the global structural context of the hegemony of neo-liberalism, and the influence of the epistemic community concerned with the "spread and application of neo-liberal economic ideas" (Antoniades, 2003: 27).

The influence of the advocates of a neo-liberalist future was unrelenting. This in turn was amplified by corporate-owned media, which "gleefully attacked any signs of heterodoxy and dissonance in ANC thinking" (Marais, 1998: 50). There was also a stream of interventions from various international financial institutions in particular the World Bank and the IMF.

Throughout the transition period the ANC leadership came under pressure from the IMF and the World Bank to abandon its proposed inward investment programme in favour of a more realistic investment-led, export-oriented growth strategy. Also, ANC officials were sent to Washington DC in the United States for a familiarisation course at the World Bank, and returned with optimism towards these ideals. This served to dispel suspicion of neo-liberal ideas and ultimately an intimate relationship between

the ANC elites and the various International financial institutions was developed, with the realisation that “all other states were privatising and reducing the state’s share of the economy” (Taylor, 2000: 151). One of the Banks main tactics is to win access to the most senior policy-makers, thereby permitting the Bank staff to accelerate reform and to influence its character by securing a place at the policy table. The epistemic community, as represented by the international institutions, thus managed to play a significant role in the way in which the ANC began to decipher the environment and define their interests.

The Bank’s frequently worked in tandem with the pro-business epistemic community, in its efforts to influence the ANC. This influence was direct, as put forward by Antoniadis (2003: 31), the members of the IFI’s engaged in the policy process as members of international organisations. Taylor’s (2000: 153) own assertion that this process included an influential report that contributed to the debate over the eventual adoption of orthodox policies by the organisation, coincides with Antoniadis description of direct influence. The World Bank’s “Reducing Poverty” (1992) became the constituent of a profound process of coercion and consent, pressurising the ‘trust-building’ with the ANC. The Report combined elaborate probes of Pretoria’s economic situation with somewhat restrained neo-liberal directives that were often offset by incorporating aspects of progressive thinking.

The ANC leadership’s secret signing, in 1993, of a Letter of Intent with the IMF profoundly undermined the MERG proposals by “committing an ANC government to reducing the deficit to 6 percent of GDP for 1994/5, maintaining a high interest policy and continuing to open up the country to transnational capital” (Taylor, 2000: 163). In return an \$850 million loan was unlocked. Such a move was conclusive proof that the ANC had acceded to the ongoing hegemony of neo-liberalism and that they had finally bought into the world consensus.

This progressive movement towards the neo-liberal discourse was to continue until just under two years later, the governments GEAR strategy would confirm Deputy chairman of Anglo-American Corporation and De Beers Nicholas Oppenheimer’s assertion that “in a remarkably short time the ANC matured into a government which understands and accepts the disciplines of the marketplace” (in Taylor, 2000: 165).

By the time of the democratic elections of 1994 the macro-economic debate had been “largely won by those within and without the ANC who favoured, to varying degrees, the hegemonic orthodoxy” (Marais, 1998: 156). It can be said that the intent for the macro-economic compromise was initiated during the 1990-94 period.

The ANC’s turn towards a neo-liberal view eventually ensured that the issues that were for so long the touchstones of socialists in South Africa, were effectively abandoned. Symbolically, the new ANC government retained Derek Keys an ex-chief executive of Gencor, one of South Africa’s major mining conglomerates, as finance minister. According to the *Financial Times* (1994), by doing so, Nelson Mandela, “delighted investors, businessmen and white South Africans with his commitment to free-market economies and political moderation”.

2.5 The Evolution of Macro-Economic Policy: 1994-1996

The Reconstruction and Development Programme was adopted by the Post-apartheid government to further the much-needed socio-economic reform that the ANC had campaigned upon during the electoral period. The economic framework was presented in the form of the RDP white paper in September 1994. The differences between the initial transition period and the post-election economic documents were profound. This process reflected the ongoing tensions within the GNU and pressure by business, for the document had been widely seen as a compromise that an ANC elite had agreed upon to keep on board COSATU and the SACP during the immediate pre-election period, raising the suspicion that the RDP was viewed by the ANC leadership as just a mobilising tool for election purposes.

According to Nicoli Nattrass (in Marais, 1998: 148) the Reconstruction and Development Programme was adopted because it largely served the political purpose of uniting various constituencies within the ANC and reflected the influences of the SACP and Cosatu alliance partners. However, the RDP was short-lived and over the next two years the party’s economic thinking would increasingly bear the imprints of neo-liberal thinking, as reflected by increasing calls for deregulation, liberalization,

privatisation and export-led growth, which gained favour among ANC leaders and their economic advisors.

Fundamentally the RDP was a basic needs program. The foundation upon which the satisfaction of basic needs rests is economic growth. A strategy for industry and trade included liberalization of imports, increased competition, support to small and medium sized firms as well as technological development, envisaged to enhance the productivity and competitiveness of the South African economy with the aid of an improved stock of human capital, achieved mainly through education. It was foreseen that the RDP policy would be conducive to increased private investment. The RDP ran into trouble from the very beginning, due to lack of spending capacity, especially at the local level, and it was discovered that the RDP was not feasible in terms of investment.

2.5.1 The Shortcomings of the RDP

The economic program adopted by the Government of National Unity proved to contain major inconsistencies between the delivery of basic needs, the public investment needed to meet these goals and the economic growth rate. Accordingly, a new macro-economic strategy had to be launched, one that would make growth paramount, but simultaneously one that ran the risk of foundering on the rock of insufficient investment incentives.

According to Koelble (1998: 114), after the elections of 1994, the economy enjoyed a "Mandela" bonus. Foreign investors pledged their support for the fledgling democracy, exchange rates were stable and inflation seemed to be dropping. However in February 1996, the Rand began a downward spiral on the international markets. Numerous factors were cited. The lack of commitment to a viable privatization policy, a bloated state apparatus, continued foreign exchange controls, continued suggestions that nationalisation might take place, high crime rates, oscillation on economic policy and fiscal policy, lack of industrial competitiveness, and low productivity were all 'reasons' given for the lack of confidence in the country's economic prospects.

To encourage both foreign investors and domestic export producers, it was announced that South Africa would move away from its stringent policy of foreign exchange controls. Since the 1960s the exchange policies restricted South Africans from taking funds overseas and made any foreign travel subject to Reserve Bank approval if funds were to be taken outside of South Africa's borders (Koelble, 1998: 115). On July 1 1997, the anticipated relaxation on foreign exchange controls finally took place. The widespread expectation that many South African investors would immediately shift their money overseas was not fulfilled.

However, the economy suffered another major blow when Australia sold off its gold reserves. The price of gold dropped to \$320 per ounce, forcing a number of mining companies to close down. The large employment generated by the gold mining industry pushed the crisis to the top of the agenda of government and labour unions. Ultimately, it was realized that large sectors of the South African economy are dependent on foreign markets and their fluctuations.

The sobering result of the "experience of the ANC government's economic woes from 1995-1997" (Koelble, 1998: 116) is that it is very dependent on perceptions in the international markets. The RDP was gravely damaged over this turbulent period and it became evident that the government had over estimated the resources available to it.

Once the implementation of the RDP began, it was soon discovered that making the program work was far from easy. The visions of the government were challenged both by the South Africa Foundation, one of the organizations speaking for business, and by the trade union movement, but from very different angles. Both the South Africa Foundation and Cosatu released documents in response to the country's economic woes. The government's subsequent response to these documents was a testament to the neo-liberal project that had been initiated by the change industry during the transition period.

In early 1996, the RDP Ministry closed and the Department of Finance took the lead in the elaboration of a new macro-economic strategy. The strategy "resembled the South Africa Foundation document more than the one suggested by the trade unions"

(Lundahl, 1999: 56). The emphasis of the Foundation's document was on growth, which was considered a prerequisite for both employment and redistribution.

The ANC, "pressured by advisors from the old regime, economists, from the World Bank and IMF and experts from the business community" (Murray, 1997: 5), stepped back from the RDP's emphasis on social spending and instead adopted a neo-liberal economic export strategy which emphasized free markets, fiscal discipline and building business confidence, even if that meant 'downsizing' to be competitive in the global economy.

In February 1996, Thabo Mbeki announced a new strategy for the nation's economic development. This document claimed it would increase annual growth by an average of 4,2%, create 1.35 million jobs by 2000, boost exports by an average 8,4% per year and improve social structure.

The GEAR team consisted of representatives of "the departments of Finance, Labour, and Trade and Industry, as well as non-governmental economic experts" (Masiza and Ngqungwana, 2001: 7), who were co-ordinated by Iraj Abedian and Andre Roux, who worked in the macro-economic policy unit of the Development Bank of Southern Africa (DBSA). Alec Erwin (then deputy Minister of Finance) is said to have handpicked the non-governmental experts, most of who were deemed unfriendly to labour.

Although indirectly involved, Erwin provided general leadership to those engaged in the GEAR process. In the end, time pressure presented by the economic crisis justified confining the task at hand to a small group of like-minded experts and not consulting a number of stakeholders. In fact, the currency crisis hit the country two days later and trapped the group in a state-of-emergency mode of thinking.

Two World Bank employees, Louis da Silva and Richard Ketley, who were on secondment to the Department of Finance, were involved in the project in their personal capacity. The involvement of the two was considered to add integrity to the process in the eyes of the international community, as the policy outcome would be seen to have the World Bank's endorsement. It is however, commonplace to hear

most critics of the government's macro-economic strategy charging that GEAR is "the brainchild of the World Bank of IMF, the two institutions that had dictated the unpopular SAP's" (Masiza and Ngqungwana, 2001 :8).

Cosatu in particular, criticized GEAR as an inappropriate policy tool for addressing the socio-economic and political ills of South Africa. Jeremy Cronin (Masiza and Ngqungwana, 2001: 11), asserted that GEAR is a completely different economic policy from the RDP in that it embraces a neo-liberal doctrine that has at its core assumption that if the government gets its fundamentals right, private sector investor will drive the growth process. The adoption of GEAR thus became a major cause of deep-seated discord between the government and organized labour. So intense are the disagreements that the media frequently speculate about an imminent 'divorce' in the tripartite alliance.

The new macro-economic framework was widely criticized by many on the left within the ANC alliance. However, it illustrated quite clearly that the common sense of neo-liberal development was ingrained in government thinking and underlined the shift among policy makers away from redistribution and towards macro-economic growth.

2.5.2 Embracing GEAR

The ANC government's attempts to rejoin the international economy exposed South Africa to the same powerful forces from which the former regime attempted to escape. Now the ability of the state to address socio-economic injustices was limited by the perceptions of the international and domestic business community regarding the viability of such policies.

The two sets of actors that have most promoted globalisation from within are the state (via its support for neo-liberalism), and the major conglomerates. Whereas most of Southern Africa has experienced globalisation as externally imposed, through World Bank/IMF structural adjustment programmes, in South Africa it has been largely internally generated by the government and the major conglomerates that dominate the economy. According to Carmody (2001), the economy is dominated by a group of

six conglomerates⁶, the four largest of which controlled 83 percent of the companies listed on the Johannesburg Stock exchange (JSE) prior to the end of apartheid.

GEAR puts growth ahead of employment and redistribution, acknowledging that unless the economy grows no employment will be created and there will be nothing to redistribute to the poor. However the growth-generating forces which form the basis of the strategy, investment and exports, are not under the control of the government, and government stabilization policy could easily come into conflict with the growth objective.

Attempts were made to align the 1996 economic policy, GEAR with the socially progressive objectives of the RDP. However the "central pillars of the GEAR strategy were designated in accordance with neo-liberal principles" (Saul, 2001: 439). These included deficit reduction, single digit inflation, trade liberalization, tax cuts for industries and privatization of government owned enterprises.

GEAR was declared as 'non-negotiable' in its broad outline a move explained as the language which investors, both local and foreign, greatly appreciate, but which the left saw as arrogance. Produced in secrecy by a small team of technical experts, GEAR was modeled on a South African Reserve Bank econometric model that was the same used by the bank during the late apartheid years and was ostensibly consistent with the results obtained using models of the Development Bank of Southern Africa, the Bureau for Economic Research of the University of Stellenbosch and the World Bank. Essentially, GEAR "privileged the position of capital within South Africa and relied on them, in typical neo-liberalist 'trickle-down' theory to uplift the disempowered through increased private investment" (Taylor, 2000: 179). Many observers remarked on the "uncanny similarity between elements of the NEM of the NP and GEAR" (Taylor, 2000: 115). Also, the first post-apartheid government retained the promoter of the NEM, Derek Keys as Finance Minister.

The macroeconomic strategy subscribed to the broadly neo-liberal agendas of liberalization, privatization, and global competitiveness as promoted by the

⁶ SA Mutual, Sanlam, Anglo-American Corporation, Liberty/Standard, Rembrandt/Volkskas, Anglovaal.

International Financial Institutions. Few analysts can disagree that the ANC government met most of business' macro-economic demands and that "GEAR's very character and logic was overwritten by the macro-economic context which adheres to the contours of neo-liberal orthodoxy" (Marais, 1997).

In short, the adoption of GEAR was the culmination of an ideological project which had played out throughout the transition, and ultimately reflected a remarkable shift in the ANC's ideological orientation in the period from 1990-1996.

An important reason for the shift in ANC macro-economic policy can be found in the strategies of capital and its allies in "changing the terms of the economic debate from the ideological to the specifically technical where the organisation was most certainly disadvantaged" (Taylor, 2001: 115). One can conclude that the national epistemic community, headed by business, succeeded in its undertaking to ensure that socio-economic policy in South Africa is now shaped within the neo-liberal discourse.

The terrain of struggle had shifted to the arena of policy. Together, South African business, the IFI's, and the state pressurized the ANC to concentrate on technical economic issues. It can be argued that this was the turning point for the ANC, which, in recent years, has seen the party shift from a liberation movement, motivated by liberation struggle rhetoric, towards a political party motivated by the realities within the global political economy.

2.7 Chapter Summary

The current Global Political Economy punishes countries that fail to liberalize their economic policies and become capital-friendly. Among the most notable changes in the global system since the late 1980s and the end of the Cold War is the coming to an end of the welfare state and the transformation of market-state relations. In South Africa the ANC came to power during the period of the global ideological convergence of neo-liberal policies, synonymous with globalisation. With the transition to democracy, as economic sanctions and boycotts were lifted, South Africa became much more integrated into the world economy. Faced with this new phase of

capitalism the ANC chose to modify its original social democratic programme of reconstruction and development through redistribution to conform to global trends.

Since 1994 the political debate has shifted from alleviating socio-economic injustice through redistribution to a discussion of liberal economic policy and the mechanisms of growth. This has resulted in a change from the original programme of democratization through redistribution, reconstruction and development (RDP) to a programme discussing economic policies in terms of international competitiveness, labour productivity and market imperatives.

In 1996 the idea of the GEAR strategy was to create what the world Bank refers to as win-win patterns of economic growth that favour the poor without sacrificing overall economic performance. Consequently a more corporatist idea of forums of stakeholders began to take root and the government insisted on following a self-imposed structural adjustment programme in line with the demands of big business and the international financial institutions.

There were at least two interpretations of this policy approach by the new government. Firstly, that a left-of-center government had left behind old ideology and logically adopted a macro-economic framework consistent with global economic realities and secondly, that the government had embarked upon an ideologically generated neo-liberal policy, which would undermine the goal of redressing the gross inequalities of the apartheid period.

At the end of the Cold War neo-liberalism emerged as the economic policy orthodoxy. Neo-liberalism manifested itself internationally in the 1980s, and the demise of the socialist bloc consolidated it globally. Central to neo-liberalism is its endorsement of less governmental activity, especially in the market, which is vied as the mechanism for allocating resources and establishing political freedoms. The debt crisis of the 1980s opened the way for greater IMF and World Bank involvement in framing the economic policies of developing nations through SAP's which were foisted onto developing nations in return for international loans.

As observed, at the global level a variety of factors converged to propel the South African negotiations forward. A window had opened which created the opportunity for negotiations over a future South Africa. It can also be said that the end of the state socialist regimes also unleashed forces within the ANC that propelled a move away from socialism towards a negotiated compromise. The structural conditions surrounding the lead-up to the immediate transition process suited the strategic choices of a particular group within the ANC elite as well as the existing elite within the NP and large-scale capital.

As a result, the ANC moved its politico-economic policies from a populist and vaguely socialist platform to that of a sternly pro-capitalist framework, via a short-lived reformist programme. The shift in attitudes was manifest in the intensification of business's involvement in the political process since the late 1980s.

CHAPTER THREE

CAPITAL, POWER AND THE POLICY PROCESS SINCE 1996

3.1 Introduction

The publication of GEAR was a turning point in the ANC's economic policy-making during the course of the 1990s. Prior to GEAR, the ANC was receptive to a wide range of influences on economic policy and operated via corporate institutions, such as Nedlac. Perhaps even more important however, was the influence of business and an apparent international consensus on a particular set of neo-liberal policies. Over time, as the ANC has acquired experience of governance and some confidence in its own technocrats, the number of policy makers has narrowed, and a more inclusive form of policy-making has taken shape. This chapter will aim to demonstrate, within the context of globalisation, the nature and extent of business' influence in the policy-making process in South Africa since the adoption of GEAR.

As stated before, the central question, which arises from the globalisation of South Africa, is whether business has gained influence within the South African political economy and on public policies in the 1990s.

Chapter Two established the nature of the globalisation process and South Africa's position within that process, and also identified the business community as the main domestic advocate of globalisation in South Africa. In as much as business is not a mere object of, but agent in the globalisation scenario, business continuously seeks to optimise its position vis-à-vis the currents of globalisation, and attempts to use this trend to its advantage.

Thus, the features of globalisation and South Africa's position within this process act as a guide to analyse, firstly, the influence of business within the policy-making process since 1996, and secondly, the influence of business on the outcomes of government's black economic empowerment strategy.

3.2 THE POLICY-MAKING ARENA

The business community, the trade unions and the government all possess to a certain extent “the power to throw a wrench into the economic machinery” (Lundahl, 1999: 12). The debate of how to create an economy with the necessary power of redistribution has therefore to some extent revolved around the desirability of creating mechanisms whereby these three power centres can be made to cooperate in the process of economic policy-making through making mutual concessions. Attempts have been made to institutionalize the cooperation, above all through the creation of the National Economic, Development and Labour Council (Nedlac) in 1995, a forum for consultations on issues related to economic growth, social equity, and participation in economic decision making. Four groups are represented in Nedlac. In addition to the business-unions-government triad, community and development organizations have been invited, but these carry less weight than the other three participants.

The idea is that Nedlac should establish consensus solutions that resemble those forged in the political arena. Major questions relating to labour market legislation and changes of economic and social policy are dealt with in this way before decisions are made in Parliament.

However in 1996, the government entrusted the design of a new macro-economic strategy to an inclusive team consisting of representatives of the departments of Finance, and Trade and Industry, as well as non-governmental economic experts, most of who were deemed unfriendly to labour. This saw a major departure from the experiment in corporatism and social dialogue as proposed by Nedlac. The result was a ‘non-negotiable’ neo-liberal macro-economic policy, the principles of which are largely rejected by labour. More importantly, the policy strategy reflected the views of business, as outlined in the document put forward by the South Africa Foundation.

The extent to which Nedlac has been successful is largely disputed. Nedlac in 1995 grew out of the National Economic Forum (NEF) that had been created in 1992, during a period of intense political negotiation. In both cases the idea was to create a

decision-making process in the economic and social field that would be viewed as transparent and democratic. Admittedly, Nedlac has helped in the construction of a new Labour relations Act, but it is far from certain that the type of corporatist decision-making that Nedlac represents, will be able to work in the long run.

Labour and business have a history of interests that differ widely from each other, and the historical differences of course continue to exist. Without government interference it would probably not have been possible to bring the two to the corporatist discussion and negotiation table. The representation of business, in particular, may be difficult, because decisions made in a forum like Nedlac may easily run counter to the logic of the market, and the constituency that the business negotiators represent will continue to act mainly through the market. It may be that government itself feels that Nedlac-bargained solutions interfere with the ability of the government to make decisions.

However, the main difference between the political process and the economic one is that the latter unfolds in the market. This fact is of central importance when it comes to devising a credible strategy for economic development and redistribution in South Africa. According to the neo-liberal view, the deconstruction of the economic legacy of apartheid cannot be achieved at the negotiation table, only in the market place. The role of private enterprise is a crucial one. Unless domestic and foreign investors can be convinced that South Africa is a country where their money will be both safe and productive, the wheels will not start rolling fast enough to make redistribution a reality. Recent years have seen the ANC adopting a more centrist policy-making approach, the implications of this have in effect changed the dynamics of the partnership between government, labour and business, as envisioned by Nedlac.

3.2.1 Nedlac: A Forum for Social Dialogue

Since the latter half of the 1980s, organised business and labour on various occasions found themselves cooperating, albeit reluctantly, in opposition to government policies. The cooperation did not develop into a firm anti-government alliance of capital and labour, but “the publication of a draft Labour Relations Amendment Act (LRA) in December 1986 set in motion a joint effort that, in September 1990, culminated in the tripartite Laboria Minute” (Pretorius, 1996: 266). This agreement

laid the basis for the rapid passage of the LRA through Parliament and represented the first significant instance of corporatist interests intermediation in South Africa. Large-scale labour activism in the preceding year precipitated the creation, in October 1992, of the tripartite National Economic Forum (NEF).

The forum was the product of the demands of Cosatu and was “the first state-created institution for interest representation to include representatives from the predominantly African union federations” (Pretorius, 1996: 276). However throughout its brief existence, the NEF was beset by difficulties rooted in reluctant government and trade union support. The unions saw the NEF as the NP government’s attempt to legitimise late-apartheid and pro-capitalist economic policies and the government saw the NEF as a front for ANC policies. However, the NEF served as a testing ground for ideas on the composition and functions of its successor, Nedlac.

The National Economic Development and Labour Council is a tripartite policy body comprising representatives of government, business and organised labour. In 1995 an Act of Parliament brought about the establishment of this forum for economic policy issues. The Act provides for “the inclusion of organised labour and business interests in socio-economic policy discussions” (Lundahl, 1999: 19). The main goal of Nedlac is to reach consensus and conclude agreements pertaining to economic and social policy and in doing so consider all significant changes to social and economic policy before it is implemented or introduced to parliament (CDE, 1999: 41).

Commentators have concluded that increasingly, government has had little patience with negotiating policy with labour. The evidence includes drastic fiscal policy initiatives, restructuring programmes and rapid privatisation of industries which labour opposes. In September 2002, it was reported that labour interests said that they had been “shocked at the government’s response to the deadlock over privatisation at Nedlac” (*Business Day*, 3 September, 2003)

The pendulum of political fashion has swung somewhat since 1995, when critics warned that Nedlac would develop into an ‘elite cartel’ of big business, government and organised labour. According to Steven Friedman the debate today centres not on

whether tripartism is dying a quick death at the hands of the Mbeki administration but rather, what its implications might be.

Nedlac was first put to the test in 1995 when a new Labour Relations Bill was tabled in the labour market chamber. The Bill proposed far-reaching changes to the industrial relations system, including the formation of enterprise level co-determinist institutions called workplace forums as well as extending union organising and representation rights while strengthening the right to strike and legalising picketing. (CDE, 1999: 44). Despite months of deadlock over the Bill between business and labour, the Labour Relations Act was passed by Parliament in September 1995. Business argued that the proposals of the LRA would introduce “additional rigidities into the labour market at a time when markets in South Africa were being liberalised” (Parsons, 2001: 154). Business warned that the LRA would therefore serve to exacerbate the already severe unemployment problem.

From a broader perspective, the experience with the LRA was an inauspicious start to Nedlac’s operations. This was particularly so because it reinforced the view of sceptics who believed that the close ties between the ANC and Cosatu would ultimately result in business being co-opted into agreements that were not in its interests. The main problem of Nedlac, was the fact that attempts were being made to reach agreement on issues “in the absence of an overall framework for economic policy-making” (Parsons, 2001: 155). A common vision for the country’s development problems was lacking, and there was insufficient trust between the partners in Nedlac. As referred to in the previous chapter, attempts to fill this lacuna, came in the form of economic policy proposed by Cosatu and the South Africa Foundation. These documents served only “to harden attitudes, and to emphasis the ideological gulf that existed between business and labour on a number of critical issues” (Parsons, 2001: 155).

The government took the leadership role in the formulation of an economic policy outside of Nedlac, which resulted in the unveiling of the GEAR strategy. Because the strategy was largely consistent with the views of business, the strategy was supported in order to serve as the framework for other decision-making, both in and outside of

Nedlac. Labour criticised the strategy and started to use their influence within the ANC alliance “to re-open negotiations on the strategy”(Parsons, 2001: 157).

Questions arose as to the feasibility of Nedlac, as GEAR was non-negotiable and outlined a specific orientation towards social and economic issues. These were ascribed to neo-liberalism, where the trickle-down effect of the market would eventually remedy the development needs of the country. Many wondered if a forum such as Nedlac was truly suited for the policy- making process, required by GEAR.

Lewis (1998: 21) has argued that macro-economic policy since 1996 has lent itself to centralised policy-making, because, in a globalising world economy, the levers and options are few. This ambiguity is evident when government bypassed Nedlac in its formulation of GEAR. Consequently, business has had to adapt to the bargaining environment by initiating direct contact with government outside the forums of Nedlac, and by attempting to strengthen its influence within Nedlac.

3.2.2 Post-1996: Power and Influence in the Policy-Making Process

Corporatism represents “institutionalism of global imperatives, articulated by business organizations and state bureaucrats” (in Lawrence, 2000: 119). Corporatism therefore fosters social integration by providing additional channels of influence and is the term given to political arrangements where central policy is determined by negotiations between representatives of organised capital and labour. Its nature and importance vary greatly from country to country, largely because of its problematic legitimacy in terms of democratic theory and market realities. (Lipton and Simkins, 1992: 59)

The journalist Robin Hallet (in Handley, 2002) remarks that South Africans, “understandably obsessed by their country’s political problems, ...tend to imagine that if these can be ‘solved’ then all will be well”. This approach was exemplified in economic policy making in the dying days of the NP regime and the early days of the new ANC regime. The stakeholder approach has since 1994 spilled over into the management of the economy. When Derek Keys initiated the “golden triangle” of business, government and labour, he was motivated first and foremost by a perceived need to secure consensus as a means to avoid political and economic crisis. This was

later institutionalised in Nedlac where holding the politics together is considered the first priority.

This stakeholder approach assisted South Africa to move away from a conflict based decision-making process to a forum where negotiation over the precise content of economic and social policy could take place. This same approach has caused big business, time and time again, to concede to organised labour on South Africa's industrial relations framework, institutionalising a rigid system that priced the unemployed out of the job market. An inflexible labour market has also deterred foreign investment, while holding back the realisation of free-market principles.

To date, many left-leaning activists in the ANC, SACP and COSATU have "defended the trajectory of the transition on the grounds that the emergence of corporatist structures represents a challenge to neo-liberal economics" (Habib, 1996:1), and creates the institutional space for realising development targets in line with the RDP. In support of their argument, they point to the emergence of Nedlac and the workplace forums mandated by the Labour Relations Act. These corporatist structures, it is suggested, reflect the Government's commitment to grant the labour movement a say in the decisions that will impact on the lives of their constituency and on the broader development of society. Among the left, some even harbour the hope that these structures would serve as the building blocks for the establishment of a social democratic South Africa.

But there is a serious problem with this analysis. At the heart of this understanding lies an ignorance of the present distribution of economic power in South Africa. The assumption underlying this view is flawed as it is "drawn from the experience of social democratic societies in Western Europe where corporatist structures emerged within the framework of Keynesian macro-economic theory" (Habib, 1996: 53). Corporatism in Western Europe occurred in a national and global context very different from the present. Capital during that period was much more confined at the national level, while the labour movements in these countries were in the ascendance.

At present, however, a very different distribution of power exists. At the national level, the distribution of power is not structured to convince the political elite that

labour poses a real threat to the status quo. On a global level, capital is more mobile than it has ever been. In the South African context, corporatism has emerged simultaneous with the ascendancy of the neo-liberal macro-economic strategy. The last few years have also demonstrated that corporatist structures and processes, including Nedlac, have not been able to stem the rightward shift in the Government's economic policy. This is because these structures have either been marginalized from the process of economic policy-making, and/or their deliberations are constrained by the broader distribution of business' power within South African society. The emergence of corporatism in South Africa can neither be used as evidence of a challenge to neo-liberalism, nor of the Government's commitment to establish a social democratic society.

For Kornegay and Landsberg (1998), the South African business community is in a unique position with respect to South Africa's ongoing transformation. As fate would have it, the transition occurred at a time that was hardly the most auspicious for a newly emerging African state. The historical moment of the South African transition is one characterised by the post-Cold War, accelerated globalisation of capital, which has enhanced the balances of forces internally and externally in favour of capital. Within the post-apartheid context, and South Africa's reconfigured power equation between government, business and labour, represented within the corporatist framework of Nedlac, globalisation would appear to give corporate South Africa added leverage over its rival social partners in the tug-of-war over the terms of development.

While the government's GEAR strategy has favoured business' position in the policy process, there remains mutual suspicion and tension between the government and the business community. How far an ANC-led government, given its constituency pressures, can go in accommodating the interests of big business without alienating its followers and fuelling increased political and social instability, becomes a major question which should be of concern to the business community. Given the strong indications that the Mbeki government will continue to give priority to a racially-driven empowerment agenda, aimed at redressing the legacies of apartheid, the question that the business community must grapple with is the extent to which it is willing to enter into partnership with the government in advancing such an agenda in

the national interest. In short, to what extent should corporate South Africa engage the government in public-private partnerships and attempt to influence policies aimed at redressing the economic legacies of Apartheid?

The principle behind corporatism intends to channel conflict through bargaining measures rather than suppress it. The involvement of business and labour unions in the policy process is defined as the establishment of a 'social partnership'. However the formal corporatist relationship is not underpinned by any social accord or even informal agreement about the terms of achieving economic growth and redistribution. Organised labour is still committed to socialism and business is committed to greater liberalisation and the expansion of market principles, while government has moved towards a market driven economy underpinned by the GEAR policy. The objectives of Nedlac are continually challenged by the tensions within the ANC/SACP/Cosatu alliance, which complicate matters of party ideology and issue delivery.

In South Africa where some forty percent of the workforce is unemployed the issues of the labour movement should be given a platform to voice workers opinions and effective employment strategies should be introduced. Nedlac was initially seen as that platform for labour issues and a way of channeling economic policy issues to represent all interest groups. However viewing it as an agreement-making body rather than a consensus-seeking one may have "imposed pressures on the structure which, considering the current levels of trust between parties, it cannot bear" (CDE, 1999: 41).

3.2.3 "Shape up or Ship Out": Government and Labour in the Policy-Process post-2000

At the opening and closing of the ANC's Policy conference held in October 2002, the message was of party discipline: members should shape up or ship out (Financial Mail, 4 October, 2002). President Thabo Mbeki said the ANC could do without the Left. The Black Economic Empowerment strategy was high on the agenda, and intriguingly, business was a powerful new constituency at the conference. Mbeki's crisp message was, "we do not have time or the inclination to change policy". An increasingly centrist ANC displayed its concerns that a basic income grant will encourage 'dependency'. This opinion is continuously advanced by the ANC, despite

the fact that many of the ANC members argue for and draw greater attention to a social security system that includes welfare, health, housing and basic service. Increasingly, comments made by President Mbeki show that the ANC is taking on the character of a professional political party more than a revolutionary movement. Grassroots supporters are increasingly viewed as an 'electorate', rather than as comrades able to influence the party.

Mbeki's hard-line stand against leftwing criticism at the ANC policy conference in 2002, has forced Cosatu and the SACP to rethink the relevance of the alliance. Cosatu insiders say the federation is "deeply divided between those who argue that Cosatu will lose credibility in the eyes of workers if it remains in the alliance, and those who believe it would be premature to break away" (Financial Mail, 4 October, 2002). The policy conference demonstrated the flimsiness of the tripartite alliance, the political expedient that had its origins in the common purpose of the liberation struggle, but which has run its course.

Indeed, the working arrangements between the ruling ANC, labour federation Cosatu and the SACP seem to have "outlived their ideological utility" (Financial Mail, 4 October, 2002). A series of nationwide general strikes were organised in 2002, aimed to coerce the senior alliance partner into abandoning a key plank of its economic policy, namely privatisation. However, the strikes were labelled as futile, as government has continued to assert that it will go ahead with its privatisation programme.

It has become painfully obvious that the ANC under President Mbeki has ruled out any idea of abandoning privatisation (even though the process is proving to be slow out of the starting bloc), or acceding to Cosatu's call for a basic income grant to alleviate poverty. Cosatu is a self-proclaimed socialist organisation, closer in economic philosophy to the SACP than the reconstructed ANC, which, like social democratic parties elsewhere, has embraced the political vision of a 'third way' based on free-market economics. For all Cosatu's righteous concern for the poor and jobless "its policies are out of sync with reality" (Financial Mail, 4 October, 2002). It is clear that the left has exhausted all available channels, including Nedlac and the presidential working committee on labour, in persuading the ANC to alter its policy

course. The ANC on its part is starting to behave more “like a professional political party than the broad liberation movement it has traditionally been” (Financial Mail, 4 October, 2002).

3.2.4 Business and Government in the policy-making process post-1998

Despite an apparent convergence of views on economic policy, relations between the mainstream business community and the ANC leadership (Mbeki in particular) have remained cool. Mbeki and his advisors appear to distrust and dislike the private sector, reacting defensively and with charges of racism to any criticism of government from business organisations and in the financial press. For their part, a strain of “Afro-pessimism”, an expectation of the worst from the ANC government, has persisted within segments of the white business community, despite government’s economic prudence. By the late 1990s, Mbeki’s relationship with business seemed to worsen and it was clear to business that the relationship had to be improved.

September 1998 saw the launch of the Business Trust,⁷ in which business consciously set out to repair relations with government. The Trust represented a pledge by business to raise R1bn for social investment in two areas: job creation, particularly in the tourist sector, and education development. According to Lesley Boyd, chairman of the Anglo American Industrial Corporation, “business faced difficulties in interacting with government and believed this initiative would bring business closer to government and ensure its participation with government at an earlier stage of the process”.⁸ The Trust is high profile and represents a considerable sum of money. Supporters saw it as an attempt to reopen channels of communication with government by demonstrating business’ commitment to equitable development in South Africa. Cynics called it a bribe. One critical component of the Business trust initiative is the establishment of a consultative committee between government at the highest level and senior business leaders. Mbeki also created four working groups that would connect government, and the President, directly with big business, black business, commercial agriculture and the trade unions respectively. Mbeki’s

⁷ This initiative emerged from the Council of the South Africa Foundation but was passed on to the National Business Initiative for implementation.

⁸ Renee Grawitsky “Business’s jobs plan gets off the ground” in Business Day 16 September 1998

presidency has thus re-enforced the marginalisation of Nedlac that begun with the adoption of GEAR.

Critically however, labour relations continue to be negotiated in Nedlac. If there is one area in which the agenda of the organised trade union movement has trumped that of business it is labour relations. Four major industrial relations acts were passed between 1995 and 1999. Throughout, Cosatu activists were formidably well organised and they had a clear policy agenda, they were well represented in the Department of Labour, and, crucially, they were adept at operating in Nedlac. While business was also well organised and well represented, it seems to have lacked the conviction to engage in what would have been a very fierce battle on this issue.

In the end, analysts commiserate the deal struck between big business and big labour left the unemployed, and small and medium-sized businesses out in the cold. SACOB, which represents smaller and medium sized white business, did voice “serious concerns” about the labour legislation, as have various other commentators from both within and without the business community. But this position was not foremost. Critics assert that Nedlac, which was set up to avert cataclysmic political crises has outlived its usefulness and survived into a new era where the economy calls for policy choices rather than policy consensus. This is evident in the hotly debated issue of the Black Economic Empowerment strategy, where, in partnership with business, government has taken the lead in a more centrist policy-making approach.

3.2.5 Business Associations Unite: Strategies of Influence?

Abedian and Antonie, (2001: 5) argue that business acts collectively for a variety of different reasons. To the effect that business associations attempt to: “regulate matters of trade and competition by mutual agreement; to seek statutory protection in matters of trade, particularly with regard to imported goods; to provide services in labour relations and personnel administration; and to contest the passage of social and labour legislation”. What is apparent about South African business associations is that, notwithstanding important initiatives such as the creation of the Business Trust in 1999, they continue to reflect racial and ethnic fault-lines which define South African society. This is to be expected given the relatively short duration of South Africa’s

transformation initiatives. Recent steps to integrate black and predominantly white business associations reflect not only organisational inertias and biases but also an uncertain and relatively untested terrain of non-racial co-operation in the business sector.

In effect the immediate challenge, which associations need to tackle, is undoing the ideological legacy of apartheid. Some, such as the Brenthurst Group of fifteen executives invited by Mandela to advise on the constitutional negotiations, have been informal groupings whose purpose was principally to act as a conduit of information. Others, such as the South Africa Foundation make up the fifty largest companies in South Africa, and exist also to channel information and act as a lobby group for “big business”. Others, more formally constituted, represent ethnic, sectional or sectoral interests. By 1994, BSA represented South African business at the International Organization of Employers, and subsequently in 1995 was the principal business representative at Nedlac. The National African Federated Chambers of Commerce (NAFCOC) in the meantime had withdrawn from BSA and currently represents its own members at Nedlac. Attempts to integrate with the South African Chamber of Business (SACOB), an affiliate of BSA, are currently underway.

Changes in the South African economy which began to emerge long before 1976, coupled to South Africa’s more recent integration into the global economy, make it imperative that business organizations develop viable strategies to meet these challenges. It is evident that globalisation has not only changed the environment for doing business in South Africa, but also exposed quite dramatically the inherent fault-lines in business organizations in the country. Some ad hoc initiatives have been introduced to address some of the obvious problems. The launch of the Business Trust in 1999 by the South Africa Foundation was, “in itself, an explicit recognition of the human capital deficit, which is part and parcel of the apartheid legacy” (Abedian and Antoinie, 2001: 5).

The Trust seeks in part to address the skills and education crisis and, in part, to create employment opportunities in the tourism sector. Nevertheless, it would be true to say that the current defining features of the business associations generally resemble those, which dominated business pre-1994. In this regard, much remains to be done.

Given the speed of economic integration globally, the pace of reform of business organizations leaves much to be desired. To the extent that business organizations are controlled by vested interests, and to the extent that these may thwart structural and organizational changes, this is a challenge which business organization must face up to.

Offe (1985:190) has suggested that “most of the central life interests of capital are either resolved beneath the level of association, within the individual firm or above the level of association, within the state apparatus.” In a globalizing world it becomes necessary to develop a national capability so as to complement the capacity of the state in ongoing, increasingly more complex trade and industrial relations. Contrary to common perceptions, globalisation requires more, not less, nuanced regulation. Business organizations thus need to play “a vital role in providing technical and operational capacity in pursuit of an optimal national strategy” (Abedian and Antoinie, 2001: 7). That role is one that business associations should develop.

According to Wakeford (2001) of SAFCOC, “the role of organised business in South Africa must have at its core a purpose to accelerate real and effective empowerment”. Empowerment is about developing mechanisms, pathways and people so that access to the main stream of the economy is a real possibility. The real issue at hand is the lack of economic growth together with the emerging threat of social instability as a consequence of narrow economic participation and continued marginalisation of millions of black people.

The four largest business associations, the National African Federated Chamber of Commerce (Nafcoc), South Africa Chamber of Business (Sacob), Afrikaanse Handelsinstituut (AHI) and Foundation for African Business and Consumer Services (Fabcos) in 2002 created an interim council to work towards unifying the four into one business entity, hopefully before the end of the 2003. Also, Business South Africa (BSA), a confederation of mostly white business and sectoral groups including the Banking Council of South Africa, AgriSA and South African Chamber of Commerce (Sacob), signed a memorandum of understanding last year with the Black Business Council (BBC), its black counterpart (Business Day, 20 May, 2003).

The purpose of these interim structures is to identify areas of commonality between the respective chambers and to seek a future operational strategy under one collective body. It is clear that the unification of black and white business associations in South Africa is inevitable. This pre-emptive strategy of white business associations can be seen as an attempt to unify traditionally white and black business associations, as one voice to influence government policy, especially as the debate on Black-Economic Empowerment gains momentum towards the end of 2003.

3.2.6 Influence Revisited

Since 1996, the policy-making process in South Africa has been conducted through consensus seeking forums such as Nedlac, with input being received from all stakeholders. However, the influence these stakeholders exert on the policy-making process is arguably varied. It is becoming increasingly obvious that the ANC demands of its alliance partners to accept the realities its own neo-liberal stance. Though the SACP and Cosatu alike continue to criticize the government for its failure to address the need for redistribution in South Africa, the ANC has continually brought these critics into line. The conception of GEAR in 1996 proved the ANC's ability to form policy independently. Since 1996, the government has been moving towards a centrist form of policy-making, and one can conclude that as the ANC has matured into a political party, shedding the rhetoric of the liberation struggle, it is in fact consolidating its abilities and determination to make decisions and policies without the stakeholder approach of the past. Business has continually sought ways to engage with the policy-making process, from negotiating its interests within Nedlac, to attempting to foster an intimate partnership with government in the form of the Business Trust, as well as holding regular meetings with the ANC leadership concerning business' interests and views. The issue of Black Economic Empowerment, which affects all business sectors of South Africa, has seen business, particularly the mining and financial sectors, adapting to the ANC's more centrist approach to policy-making, by bypassing the formal structures of Nedlac and successfully negotiating their way into the formulation process of the governments BEE strategy. South Africa's position within the global economy also remains an important factor in defining the relationship between government and business, as the following analysis of the government's BEE strategy aims to show.

3.3 Broad-Black Economic Empowerment Policy

3.3.1 Introduction

After nearly ten years of Democracy, and on the eve of the third democratic elections, South Africa “continues to be characterized by high levels of racial and class inequality” (Banda et al, 2003). The socio-economic landscape is characterised by the majority being excluded from basic social necessities and increasing unemployment. In February 2003, President Thabo Mbeki renewed government’s commitment, both in principle and financially, to fighting the continued exclusion of the black population from mainstream business. Mbeki indicated that government would look to further facilitating black economic empowerment through legislative and policy measures. Also, Finance Minister, Trevor Manuel, further underpinned Mbeki’s commitment with a promise to spend R10 billion over the next five years to push for its realisation.

Although advances have been made in the implementation of BEE one can conclude that the programme has not yielded the desired results. Only a handful of black-owned companies are listed on the JSE Securities Exchange thus far. Critics have suggested “big business has used joint ventures to its advantage by offering pseudo-majority shareholding to black entrepreneurs that, in the end, count for nothing, while the corporations smile all the way to the bank” (*Mail and Guardian*, 16 September 2003).

In 1994 the new ANC government attempted to respond to the apartheid legacy by aggressively inserting South Africa’s economy into the global marketplace and promoting foreign investment and job creation. It was hoped that the adoption of GEAR in 1996 would spur on the development of a rising black capitalist class, assisted by BEE initiatives, which would further contribute to the formation of a non-class based economy. The central objectives of the BEE strategy are to redress the imbalances of the past by transferring ownership and management of South Africa’s business sector to the majority of its people. This would in turn serve to de-racialise business, redistribute income and wealth, and reduce systematic poverty within black communities.

Many of the new policy initiatives and pronouncements on BEE are the direct result of the work done by the BEE Commission (BEECom). The commission was set up in 1997 to address growing concerns about the pace and results of existing BEE initiatives. BEE legislation is expected to establish broad policy parameters and to facilitate the publication of a strategy document and guidelines to facilitate good corporate governance by companies with regards to BEE. The BEECom said the country's economy was controlled by a white male minority that accounted for eight percent of South Africa's estimated population of more than 40 million. Black-controlled companies account for about 1,5% of the JSE market. The concern, for many, is whether the proposed BEE policy and pursuant legislation will generate jobs at the middle and lower end of the economic spectrum where they are so sorely needed. The announcement that government will finalise a detailed plan on BEE and Parliament will pass a BEE Act in October 2003, can be seen as a positive step towards a resolution of these issues.

However, reservations relating to the drawing up of sectoral charters have been expressed by the Left. The SACP argues that there seems to be no concrete connection "between the drawing up of charters and the integrated growth and development strategy" (Banda, et al, 2003). Cosatu has expressed its concern that while BEE is defined broadly, the measures proposed often tends to focus on increasing black ownership amongst a few wealthy individuals than a broad empowerment process. Overall, it appears as if the government is committed to its BEE strategy and communicating its purpose effectively. The 2002 debacle around the leaked Mining Charter served to underline the importance of sending out the right message on the reasons for BEE and why South Africa has to pursue it swiftly and efficiently.

The drawing up of individual sector Charters, announced in December 2003, attempts to take a more pragmatic and overarching approach to empowerment by focusing on empowerment across all economic sectors. This move has been welcomed as it widens the current definition and application of BEE, it increases the likelihood of benefits being spread more widely and brings clarity to an otherwise murky initiative. However, a realistic assessment of new empowerment initiatives highlights the need

for a partnership between government and business, to ensure that BEE becomes a reality.

There is a real chance for business to play a facilitative role in this regard and assist government by taking on the burden of funding for the private sector, whilst pledging support and meeting legislative criteria over the coming years. Without the full support and commitment from the wider business community the moral and economic regenerative imperatives of BEE will be unrealisable. Commitment from the South African business sector would also serve to stem the tide of criticism aimed at business regarding what is sometimes perceived as its obstructionist role towards BEE.

3.3.2 The Mining Charter and the Foreign Investor

Few companies are as exposed to political sentiment, towards South Africa, as Anglo American. Anglo's share price is "a good a barometer of foreign investor confidence on the share market" (*Financial Mail*, 25 October, 2002). When the first draft of the proposed mining charter was leaked, calling for 51% empowerment ownership of all mining assets, Anglo's share price plummeted, wiping out billions of Rand of shareholder value.

Anglo is South Africa's largest company, and, in combination with its associate, De Beers, is the most established and recognised corporate brand. Its interventions with government and subsequent comments on the mining charter helped to calm financial markets. Anglo CEO Tony Trahar recognises that the company has a critical role to play in "shaping investor opinion" but adds that his priority is the shareholders. (*Financial Mail*, 25 October, 2002).

Government is aware of Anglo's standing in the international investment community; President Mbeki's regular meetings with Trahar and other business leaders since 2001 illustrate this. At a meeting between Mbeki and business leaders in October 2002, Trahar sensed "a desire on governments part to co-operate, to work together rather than to impose solutions" (*Financial Mail*, 25 October, 2002). But recent relations have been soured, not only by the leaking of the initial draft charter but also what

Trahar terms 'a more interventionist approach by government'. The government hopes to find a broad-based empowerment formula that accelerates the de-racialisation of the economy and brings marginal communities into the economic mainstream. Hence the 'scorecard' approach, where companies can notch up points for different kinds of redress. The approach is state driven; yet GEAR enshrines a largely hands-off approach to the market.

According to Trahar (in *Financial Mail*, 25 October, 2002), what investors would like to see is a government that offers incentives and creates a framework allowing companies to prosper, not draconian legislation. Trahar points out that government has already gone a long way towards creating a sound and stable economy. According to Trahar, South Africa is an attractive economy to invest in, largely thanks to government policies to date, but foreign investor currency is mobile. Trahar asserts that if South Africa is to become a foreign investment destination, there needs to be a stable partnership between business and the state. Above all, though, it is the Mining Charter that has put 'relationships with government to the test'.

The revised Charter, arrived at after extensive consultation with the mining industry, says 15% of local mining assets must be in black hands within five years and 26% in 10 years. Anglo is looking for recognition of past and present empowerment efforts, which in the past 10 years amount to R10 billion in terms of ownership transfer and procurement from black suppliers, share option schemes and extensive corporation social investments. According to business leaders, if the final BEE scorecard reflects these efforts, then the charter is workable. The disastrous release of the draft mining charter caused Anglo's share price to fall 24% in just ten days, jolting Trahar and his colleagues into action. Recently Trahar has spent an extraordinary amount of time dealing with 'political' issues.

It is increasingly clear that the leaked draft of the Mining Charter damaged South Africa's investment credibility, despite government's attempts to explain its position. In the 2002 Diggers and Dealers mining conference in Australia, Pierre Lassonde, president of the world's largest gold group, Newmont went straight to the crux of the issue saying, "I did not know that there was black and white capital. I always thought the colour of capital was green". This attitude illustrates that despite South Africa's

unique developmental issues and need to redress the economic legacy of apartheid, the global investor does not necessarily ascribe to this. This is a stark reminder to government of the influence of international sentiment and South Africa's position within the global political economy. In a globalised world, where capital has become the driving force of development, the reaction of the market to the leaked Mining Charter, was a stark reminder to South Africa's policy makers that globalisation exerts pressure on the policy process and limits the policy choices available to them. The dominance and powerful influence of the market is undeniable and must not be ignored or forgotten.

Business South Africa CEO, Ben van der Ross, (in *Financial Mail*, 25 October, 2002) said of the leaked Mining Charter document in 2002, "We sincerely hope it is a chopping block, we believe a one-size-fits-all figure is probably inappropriate. According to commentators, business has increasingly recognised that empowerment targets were inevitable. However, target-setting "should be the subject of a process that includes a wide range of inquiry, including stakeholder input, to understand the targets and what they imply". Without this there would inevitably be "extreme disquiet in investment circles". Amid the confusion, after the Mining Charter leak, investor anxieties appeared to focus on how black entrepreneurs would raise the necessary capital to buy 30% of a R750-billion industry over ten years. Meeting the targets, they feared, would involve a massive knock down sale of assets. A target for black participation in the total economy raised the same question, but on a larger scale.

The revised Mining Charter and also the Financial Charter, released in 2003, reflect the sentiments of business and allude to increased co-operation between business and government. The BEE strategy of 2003 can be said to show that government has incorporated the suggestions of business, made during the debate and negotiations on the Mining Charter.

3.3.3 The Mining and Financial Sector Charters

The ANC national conference held in Stellenbosch during December 2002, served as a platform for the ANC leadership to state categorically, its vision for the

transformation of the economy and its commitment to forming a strong partnership with business.

At the conference, Mbeki stressed the mutual reliance between black and white people, a quantum leap from his 'two nations' theory, which emphasised that white prosperity exists because of black poverty. This shift has brought a softening in government's approach to BEE, with government pledging itself to draw up individual sector Charters to secure the buy-in of established business, still largely white, and of foreign investors. Clearly the fall-out from the leaking of the first draft of the Mining Charter late in 2002 alerted Mbeki to white business's unhappiness. Mbeki has realised that the success of two imperatives of his ruling ANC, non-racialism and black empowerment, rest on his adopting a more conciliatory stance. Non-racialism is a founding principle of the ANC, which sought to act as a counterweight to whites-only rule. In the post-1994 epoch it is still an essential ANC principle and also a strategy to secure legitimacy among well-resourced minority groups.

BEE is a relatively new policy, but it is assuming centre-stage with government's conviction that the creation of a sizeable black middle class is the key to long-term political stability. BEE encompasses affirmative action, business creation and joint ventures with black companies. Mbeki's two nation's theory and the race card he often plays have coincided with the implementation of equity laws and the era of BEE to make white business uneasy, resulting in increased emigration and in disinvestments.

It seems that Mbeki wants to redefine the debate by emphasising mutual need. Put starkly, Mbeki told delegates at the ANC conference in Stellenbosch, "the majority needs the involvement of the white minority in the struggle to eliminate the racial disparities we inherited; the white minority needs the involvement of the black majority in the struggle to overcome the racial antagonisms created by a long history of colonialism and apartheid" (*Financial Mail*, 10 January, 2003).

The government has been instructed, by Mbeki, "to finalise the black empowerment legislation by the end of 2003" (*Financial Mail*, 10 January, 2003). The law will

anchor the sector Charters and be drawn up by government with contributions from business and labour. This is an important shift in the ANC journey towards BEE policy. Previous policy drafts have suggested legislation will contain the big picture ownership targets and quotas, but the legislation is now likely to be more regulatory in nature, with the mutually agreed sector Charters containing the core elements.

However, a constant factor for the ANC to take into account is that investors are nervous of empowerment legislation. Mbeki has stated that the idea of individual sector Charters is an attempt to prevent the investor panic that greeted the leaking of the Mining Charter, which wiped billions off the JSE-listed resources companies. With the Mining Charter in place, government hopes to prevent similar panic around the other sectoral charters for the financial services, Information Technology and advertising sectors. Mbeki asserted that individual sector Charters “will help us to allay the uncertainty and instability that will inevitably result from a proliferation of transformation initiatives not informed by a central strategic concept” (*Financial Mail*, 10 January, 2003).

3.3.4 The BEE Strategy: Reflecting the Views of Business?

Following the Mining Charter fiasco of 2002, the government released the BEE strategy in May 2003. The question remains; to what extent does the strategy reflect the events and debate that ensued between government and business, in the aftermath of the crisis?

South Africa’s integration into the global economy means that it is exposed to both the positive and negative forces that constitute the processes of globalisation. The leaked Mining Charter and subsequent foreign investor panic that impacted the JSE, serves as a stark reminder to government of the importance and necessity to navigate business sentiment, both locally and internationally.

Black economic empowerment is already an “unfolding process in our economy, however, the BEE strategy outlines the more focused and comprehensive strategy that is now needed and adds impetus to the process by providing greater clarity and certainty” (BEE, 2003: 5). In 1994, the democratic government inherited an economy

in deep structural crisis, trapped in a low-growth equilibrium, economic exclusion and underdevelopment. Government has over the last nine years, set about redressing this legacy of disempowerment and fundamentally transforming the country's political, social and economic landscape.

Broad-based empowerment has, however, been hampered by the low levels of initial capital endowment of the black business community. This resulted in the financing process that was often dependent on problematic corporate structures. Financing consortia, or special purpose vehicles were utilised to compensate for the lack of capital by prospective owners leading to the new BEE enterprises behaving more like investment funds and conglomerate corporate structures. New black owners were left highly indebted as financial and equity markets experienced considerable volatility globally in 1997. Furthermore, black owners were still removed from the management and operations of these enterprises.

This early generation of empowerment deals has had many difficulties but should not be dismissed as having no impact. They provided empowerment with "high profile and brought forth a new generation of business leaders" (BEE, 2003: 11). However, there was limited success in bringing about a substantial increase in the number of black people owning, controlling and managing significant and important parts of the economy such as manufacturing. This has had to be taken into account in the more focused strategy and the provision of more innovative funding mechanisms.

In the negotiations for a revised Mining Charter, businesses, led by Anglo, demanded recognition for previous empowerment deals and an acceptance by government of a broader definition of empowerment rather than one focused purely on equity ownership. The definition put forward by business in 2002, included training and placement of skilled and managerial staff, along with the placing of more procurement businesses with BEE suppliers.

Consequently, government's revised strategy document defines BEE (BEE, 2003: 12) as "an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as

well as significant decreases in income inequalities. According to government's definition of empowerment the process will include elements of human resource development, employment equity, enterprise development, preferential procurement, as well as investment, ownership and control of enterprises and economic assets. Not dissimilar to business's view of empowerment.

A more equitable economy will benefit all South Africans, individuals and enterprises. According to the strategy document, the process of BEE "is an inclusive one, and all enterprises operating with South Africa can, and indeed should, participate in this process" (BEE, 2003: 13). In addition, the strategy states implicitly that government "will seek partnerships with the private sector to accelerate the BEE process" (BEE, 2003: 14).

A reading of the BEE strategy document leads one to conclude that government realises that the strategy will not be effective if it acts alone, without the support of the private sector. Sector-and-enterprise based charters, based on the model negotiated in the revised Mining Charter, is one form that such business-government partnerships could take place. However, the BEE strategy document describes the involvement of business in the empowerment process as 'voluntary', this leaves the relationship open-ended. From the BEE strategy document one can infer that the proverbial 'ball' is now in business' court.

The 2003 BEE strategy has provided the empowerment process with a clear mandate and explicitly stated the willingness and commitment of government to engage with business in the process from here on. However, a relationship implies that two parties 'come to the table' and the response of business to government's invitation will determine the relationship between the two, for years to come.

3.3.5 The Brenthurst Initiative: Business Comes on Board

On Tuesday, the 4th October 2003, 150 top South African business, political and civil society leaders gathered at the Oppenheimer home in Johannesburg for the launch of the Brenthurst Initiative. The Brenthurst Initiative recognises "that South Africa faces a compounding problem of low growth and a relatively slow pace of economic

transformation” (*Mail and Guardian*, 8 August 2003). As Nicky Oppenheimer observes, “Growth without transformation is unacceptable. Transformation without growth severely reduces South Africa’s capacity as a country to deliver against our fundamental goals, the creation of jobs and the alleviation of poverty” (*Mail and Guardian*, 8 August 2003). South Africa’s challenge is to transform and to grow and the initiative offers a glimpse into the future relationship between government and business. South Africa ranks 70th out of 140 nations in terms of investment risk, a rating that is worrying given its emphasis on political uncertainty. President Mbeki has welcomed the initiative to stimulate wider discussion and debate on a subject “so crucial to our (South Africa’s) future as a nation and so help to shape a winning future for all of us” (*Mail and Guardian*, 8 August 2003). One senior minister commented to the *Mail and Guardian* (8 August, 2003) privately that this was what the government has been trying to achieve all along, yet only when business and a family like the Oppenheims champion the concept of transformation do people sit up and take notice. The initiative could prove to be one of those paradigm-shifting ‘big ideas’, effective because of its origins and its conceptual simplicity.

The National Assembly approved the BEE Bill in early September, but it is unlikely to be enacted before late October 2003. Minister of Trade and Industry, Alec Erwin has described the Bill as ‘innovative’ and ‘the final nail in the coffin of apartheid’ (*Mail and Guardian*, 5 September 2003). Its key provision is for the drawing-up of transformation charters, negotiated by stakeholders of individual economic sectors, to set guidelines for black economic empowerment. The Mining Charter was the first such industry-wide agreement, and has set the course for the future relationship between business and government.

The Financial Charter was released the 17th of October 2003, after a controversial closed-door process that excluded input from the SACP-led Financial Charter coalition. The Charter seeks to redress the economic distortions of South Africa’s past by outlining the ultimate target of 25% black ownership in the financial sector by 2010. “Though it will still be a long walk to financial freedom for the majority of South African’s, the Financial Charter offers new hope that they will one day make it into South Africa’s mainstream” (Stovin-Bradford, 2003: 1). However, the SACP Financial Charter coalition have lambasted the Charter talks and the fact that the

document was not finally negotiated within Nedlac, despite initial pledges by banking and insurance industry officials that it would be. According to Haffajee (2003: 23), the “slim-line, closed-door talks have upset organisations more used to the mass-based consensus-seeking methods of labour politics”. The Charter negotiations illustrate again, how the government is increasingly adopting a centralised style of policy-making, an approach which business has embraced, to its own benefit.

3.3.6 Elite Deal-making Revisited?

The Brenthurst Initiative seeks to reward present owners with “tax breaks, to make companies’ improved empowerment ‘scorecards’ profitable” (*Business Day*, 19 September 2003). For this reason, there is an increasing voice from a few that the Initiative is reflective of the discredited deal-making mode of recent years. Seeking to build the confidence of white businesses and international capital, the Initiative, according to critics like Moeletsi Mbeki (President Mbeki’s brother), remains “too close to the current elite orthodoxy to be taken seriously” (*Business Day*, 19 September 2003). This sentiment echoes the criticism of the government’s release of the neo-liberal Macro-economic Strategy, in 1996, as an elite pact.

According to Moeletsi Mbeki (in *Business Day*, 19 September 2003), many South Africans have grown to dislike black economic empowerment as a cynical form of elite deal making. Deal-making for the privileged few negates South Africa’s overriding objective, to create ‘social capital’ for all, especially the poor. According to Moeletsi Mbeki it is “no wonder the trade unions fear that efforts to empower black people by supporting black business can only prove self-defeating”.

Moeletsi Mbeki has labelled black economic empowerment as an elitist process, which enriches only the select few. It seems that black business maintains it is a passenger in a process driven by established white business and government. Mbeki (*Business Day*, 11 June 2003) argues that the fact that only a few black entrepreneurs who were pioneers in the early 1990s in certain categories of industry have been repeatedly given opportunities, while others are overlooked, is not a result of political favouritism. “Established business is refusing to identify new blood and train newcomers. They want to settle on a few names that have already made it”.

One businessman suggests (in *Business Day*, 11 June 2003) that established business has a political motive for enriching a handful of former activists, labelling it an attempt to stifle the voices calling for a review of government's GEAR economic policy. Critics assert that it is part of business's strategy to sustain the status quo by targeting influential leaders within the tripartite alliance to serve on their boards and enrich themselves.

There is general agreement among analysts that, between 1994 and 2000 only a handful of black business people have been involved in new business ventures, particularly those involving the restructuring of state assets and the unbundling of conglomerates which control the country's natural resources. At a seminar at the University of Pretoria in June 2002, Moeletsi Mbeki argued again that black economic empowerment has become a "process of transferring assets to individuals with good political connections". By doing this government is not creating entrepreneurs, but rather, taking political leaders and politically connected people and giving them assets which results in the empowerment of only a few.

Adam Habib of the University of Natal (in *Business Day*, 11 June 2003) has called for the restructuring of processes redressing economic inequality to shift from race and focus instead on class. According to Habib, "the elite has a tendency to recreate and enforce itself". This statement recalls the actions of the elite in South Africa during the late 1980s, which pushed for a transition that would secure their interests. Many argue that the transition actually saw the 'old' elite of the apartheid era incorporating the 'new' black elite of the 1990s, and BEE is reproducing the elite deal-making of that era.

According to critics like Moeletsi and Habib, an elite black group has been created and it will continue to get richer until the empowerment system is reconfigured. Habib says statistics indicate that black empowerment has benefited an elite. Between 1991 and 1996 wealthy blacks grew from a mere 9% of the top earners in the South African population to 22%. At the same time, unemployment increased from 34% to 36%, of which 56% are African women. This shows that inequality and poverty has increased even though there are arguably more blacks who are much wealthier than before.

Despite criticism from a various quarters, President Thabo Mbeki has welcomed the Brenthurst Initiative 'to stimulate wider discussion and debate on a subject so crucial to our future as a nation and so help to shape a winning future for all of us' (*Mail and Guardian*, 8 August 2003)

3.3.7 Chapter Summary

Business is resigned to the idea that every industry is destined for its own empowerment charter, much along the lines of the charter for mining. This alone suggests that, in principle businesses accept that such overarching programmes are necessary to reform industry sectors in order to better sustain a democratic South Africa. Understandably, established business will fight interventions it deems unnecessary, but the principle stands. Empowerment charters can be positive for economic and political stability. However, the passage of the mining charter has made all too clear the pitfalls of centrist policy-making, in its final form; the mining charter is a workable manifesto for transforming the industry. Thus, the bumpy ride to workability has left the government and mining investors with the task of restoring confidence, and saddled other industries with foreboding.

The relationship between government and business has been criticised as an "elite" deal, made in the interests of a few. Despite such criticism, it is clear that business took the opportunity, presented to it by the investment crisis that ensued after the leaking of the proposed Mining Charter, to critically engage the government in negotiations over a comprehensive strategy of empowerment. This quick and decisive action has had great implications for the relationship between business and government. The relationship is forged in mutual reliance on the outcomes of the empowerment process. Business has aligned itself with government in a partnership where it can be sure that its interests are protected.

CHAPTER FOUR

CONCLUSIONS

"The nationalisation of the mines, banks and monopoly industry is the policy of the ANC and a change or modification of our views in this regard is inconceivable"

Nelson Mandela, 1990. On his release from prison.

4.1 A Working Partnership?

Thirteen years on, Nelson Mandela's words are a stark reminder to business of how South Africa's economy might have been transformed along socialist principles, and how business' privileged position within the economy might have vanished. However, in 2003, nine years since South Africa's transition to Democracy, the economy is still dominated by six major corporations or axis of capital, of which the majority are mining and financial institutions. These businesses have managed to ensure their dominance in the economy, and continue to forge a valuable relationship with the ANC.

The vision of an economy that meets the needs of the people in a more equitable manner goes back to the Freedom Charter of 1955. This was refined and developed in the contemporary context in the RDP of 1994. The need to effectively redress the legacies of apartheid in the interests of equity is also embodied in the South African constitution. Consequently, the government has outlined broad economic strategies to transform the economy by 2014. Despite the economic successes and a broad range of state policies, strategies and programme interventions aimed at overcoming economic disparities, entrenched inequalities continue to characterize the economy and act as a deterrent to growth, and inequalities in the distribution of and access to wealth, income, skills, and employment persist.

In 1996 the ANC-led government adopted the neo-liberal macro-economic strategy, GEAR, effectively committing itself to the principles of neo-liberalism. According to the neo-liberal view, addressing the economic legacy of apartheid cannot be achieved at the negotiation table, only in the market place. Unless domestic and foreign investors are convinced that South Africa is a country to invest in, the widespread

development and empowerment, the country desperately need, will not become a reality.

The most compelling reason for business to enter into a relationship with the ANC in the early 1990s was aimed at stabilizing the environment in which business would operate post-1994. On a global level, capital is more mobile than it has ever been. In the South African context, corporatism emerged simultaneously with the acceptance of the neo-liberal discourse. However, the last few years have also demonstrated that corporatist structures and processes, including Nedlac, have not been able to stem the rightward shift in the Government's economic policy. This is because these structures have been marginalized from the process of economic policy-making, by government itself.

Recent years have seen the ANC adopting a more centrist policy-making approach. The implications of this have in effect changed the dynamics of the partnership between government, labour and business, as envisioned by Nedlac. Macro-economic policy since 1996 has lent itself to centralised policy-making, because, in a globalising world economy, the market has the ultimate power. Dealing with globalisation and the consequences of this process for South Africa, has forced the ANC to become circumspect and specialised in its policy-making role. The market does in fact need a gentle and nuanced approach which requires a more centrist approach to policy-making. Consequently, since 1996, business has had to adapt to the policy-making environment by initiating direct contact with government, outside the forums of Nedlac.

The Mining Charter incident in 2002 and the relationship that has evolved, between business and government, since then, illustrates how business developed strategy options in response to the crisis, linked those options to opportunities embedded in the environmental conditions, in the context of Black Economic Empowerment, and elected the option that would have a positive impact on the outcomes. The Brenthurst Initiative and business's commitment to form a partnership with government has resulted in a reflection of businesses, and particularly, the mining industry's views, on empowerment in government's BEE strategy released in May 2003.

The South African business community is however in a unique position with respect to South Africa's ongoing transformation. Within the post-apartheid context, and South Africa's reconfigured power equation between government and business, globalisation would appear to give corporate South Africa added leverage over its rival social partners in the tug-of-war over the terms of development.

Critics assert that consensus forums such as Nedlac have outlived their usefulness in the era of globalisation where the economy calls for policy choices rather than policy consensus. This is evident in the hotly debated issue of the Black- Economic Empowerment strategy, where, in partnership with business, government has taken the lead in a more centrist policy-making approach.

Since 2003, BEE is foremost on the government's agenda, and intriguingly, business is a powerful new 'constituency' of the ANC. An increasingly centrist ANC has voiced its contempt for critics from the Left, within the party. Increasingly, comments and opinions, of Mbeki show that the ANC is taking on the character of a professional political party more than a revolutionary movement.

Government has realised that without the full support and commitment from the wider business community, the moral and economic regenerative imperatives of BEE will be unrealisable. Commitment from the South African business sector will also serve to stem the tide of criticism aimed at business regarding what is sometimes perceived as its obstructionist role towards BEE. Today, the relationship between business and government is increasingly emphasised as one of mutual need. The message of this relationship is vitally important, as it aims to boost the confidence of foreign investors and international sentiment. Importantly, the relationship benefits both business and government and can only be interpreted as mutually inclusive.

4.2 Post 2003: Challenges for the Government:

South Africa requires an economy that can meet the needs of all the economic citizens in a sustainable manner. Apartheid systematically and purposefully restricted the majority of South Africans from meaningful participation in the economy. The assets of millions of people were directly and indirectly destroyed and access to skills and to

self-employment was racially restricted. The accumulation process under Apartheid confined the creation of wealth to a racial minority and imposed underdevelopment on black communities. The result is an economic structure that today, in essence, still excludes the vast majority of South Africans. Nine years after the end of apartheid regime, the South African economy is still plagued by mass unemployment, which some experts say is as high as 30%, and widespread poverty.

Despite the political successes of South Africa, an economic transformation has not taken place. This has often been blamed on the relationship forged between the elite of the ANC and the business elite during the transition period. This relationship in effect resulted in 'business as usual' for white-dominated business.

A democratic transformation is the longer-term process of restructuring the underlying social relations of a given society. The BEE strategy is a necessary government intervention to address the systematic exclusion of the majority of South Africa's from full participation in the economy. BEE is an important stage in South Africa's transformation, and affects all sectors of business in South Africa. Thus, business has initiated debate and negotiations with government, which have led to the formation of an unlikely partnership. Led by Anglo, business has negotiated its way into the fold of ANC decision-making, a strategy reminiscent of the transition era.

So, it seems that business has come full circle, since its first contact with the ANC in 1986, ironically also initiated by Anglo. Only time will tell, if the partnership between business and government, established in term of the BEE strategy, is in fact an elite pact. All indicators point to the emergence of an honourable relationship, based on the mutual need of each other, as both government and business face the brutal fickleness of foreign investment, the major challenge posed by globalisation.

The conceptual seed for the domestic political talks of the early 1990s was sown, arguably, in the high-and low-road scenarios of the business funded think-tanks of the late 1980s and early 1990s. The success of the 1994 transition to democracy is ultimately dependent on the ability of the country, to replicate this in the domain of economic ownership, not just in ownership equity terms, but also with regard to skills, training and employment, the core issues of empowerment.

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